ओएनजीसी

ONGC

Exploring frontiers for the Nation's Energy Security

Annual Report 2006-07

Exploring frontiers
for the Nation's Energy Security

The theme depicted in the cover is ONGC's global presence and its efforts to mitigate Climate Change.

With 26 projects in 15 countries and an overseas investment of over 5 billion US $, ONGC is the biggest Indian multinational. Through its wholly-owned subsidiary ONGC Videsh Ltd. (OVL), it has produced 7.95 million tonnes of Oil and Oil Equivalent Gas (O + OEG) in 2006-07, approaching a strategic target of sourcing 20 million tonnes from abroad every year, by 2020.

Along with its global energy search, ONGC has also joined the global effort for mitigating Climate Change, with two of its Clean Development Mechanism (CDM) projects registered by the United Nations Framework Convention for Climate Change (UNFCCC).

A New Vision

"I would suggest ONGC to give world leadership in management of energy sources, exploration of energy sources, diversification of energy sources, technology in Underground Coal Gasification and above all finding new ways of tapping energy wherever it is, to meet the ever growing demand of the country.

Let me greet all the members of ONGC on this Golden Jubilee Occasion. My best wishes to the ONGC in their mission of making the nation energy independent before 2030."

Dr. A.P.J. Abdul Kalam
President of India
14th August, 2005
ONGC Headquarters
Dehradun

ओएनजीसी
ONGC

CONTENTS

BOARD OF DIRECTORS

Shri R. S. Sharma
Chairman & Managing Director
& Director (Finance)

Shri Subir Raha
Chairman & Managing Director
(upto 24th May, 2006)

Dr. A. K. Balyan
Director (Human Resource)

Shri A. K. Hazarika
Director (Onshore)

Shri N. K. Mitra
Director (Offshore)

Shri D. K. Pande
Director (Exploration)

Shri U. N. Bose
Director (Technology & Field Services)

Shri S. Sundareshan

Smt. Sindhushree Khullar

Dr. R. K. Pachauri

Shri V. P. Singh

Shri P. K. Choudhury

Dr. Bakul H. Dholakia

Shri A. M. Uplenchwar
(upto 31st July, 2007)

Shri Anil Razdan
(upto 8th March, 2007)

Shri Ashok Chawla
(upto 8th March, 2007)

Shri A. K. Jain
(from 10th April to 10th May, 2007)

Shri M. M. Chitale
(upto 10th September, 2006)

Shri Rajesh V. Shah
(upto 10th September, 2006)

Shri U. Sundararajan
(upto 10th September, 2006)

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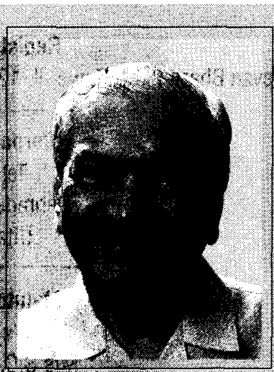
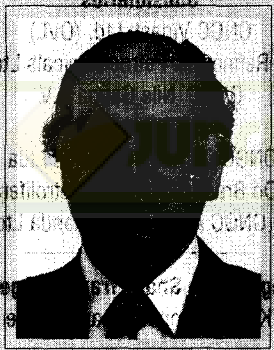


Dr. Bakul H. Dholakia

Shri A. M. Uplenchwar
(upto 31st July, 2007)

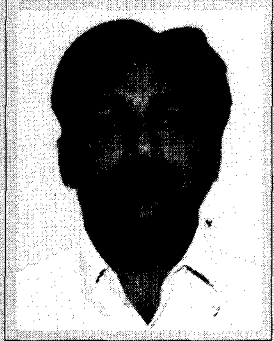
Directors on Board - Part of the year

Shri Subir Raha
Chairman & Managing Director
(upto 24th May, 2006)



Shri Anil Razdan
(upto 8th March, 2007)

Shri Ashok Chawla
(upto 8th March, 2007)



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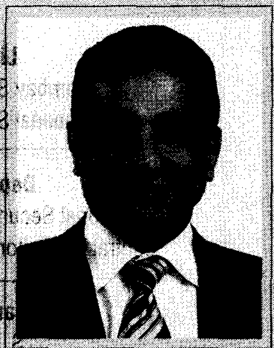
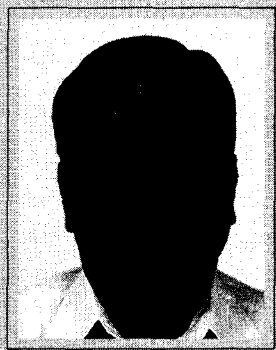


Shri Rajesh V. Shah
(upto 10th September, 2006)



Shri U. Sundararajan
(upto 10th September, 2006)

REFERENCE INFORMATION

Registered Office
Jeevan Bharti Bldg., Tower-II, 124, Indira Chowk, New Delhi-110 001

Corporate Office
Tel Bhavan
Dehradun - 248 003
Uttarakhand

Statutory Auditors
M/s K.K.Soni
M/s S.C. Ajmera & Co.
M/s PSD & Associates
M/s Singhi & Co.
M/s Padmanabhan Ramani & Ramanujam

Bankers
State Bank of India

Subsidiaries
ONGC Videsh Ltd. (OVL)
Mangalore Refinery & Petrochemicals Ltd. (MRPL)
ONGC Nile Ganga B.V.
ONGC Narmada Ltd.
ONGC Campos Holdings Ltda.
ONGC Do Brasil Exploracao Petrolifera Ltda.
ONGC Amazon Alaknanda Ltd.

Registrar & Share Transfer Agent
M/s Karvy Computershare Private Ltd.

Plot No. 17- 24
Vittal Rao Nagar
Madhapur
Hyderabad 500 081 (A.P.)
Tel No. 040-23420815-819

105-108, 1st Floor
Arunachal Building
19, Barakhamba Road
Connaught Place
New Delhi - 110 001
Tel No. 011-43528522

Listed at
Bombay Stock Exchange
National Stock Exchange

Depositories
National Securities Depository Ltd.
Central Depository Services (India) Ltd.

Company Secretary
S. C. Setia

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the Members of **OIL AND NATURAL GAS CORPORATION LIMITED** will be held on **Wednesday, the 19th September, 2007 at 10:00 hrs. at Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi-110 049,** to transact the following **Ordinary Business:**

1. To receive, consider and adopt the Profit & Loss Account for the year ended on 31st March, 2007 and the Balance Sheet as at that date and the Reports of the Board of Directors' and Auditors' thereon alongwith review of Comptroller & Auditor General of India.
2. To confirm interim dividend and declare final dividend.
3. To appoint a Director in place of Shri S. Sundareshan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri A. K. Hazarika, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri N. K. Mitra, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri D. K. Pande, who retires by rotation and being eligible, offers himself for re-appointment.
7. To fix remuneration of the Auditors.

Regd. Office:
Jeevan Bharti Building
Tower-II, 124, Indira Chowk
New Delhi-110 001

14th August, 2007

By Order of the Board of Directors

(S.C. Setia)
Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY EIGHT HOURS (48 HRS.) BEFORE THE COMMENCEMENT OF THE MEETING. BLANK PROXY FORM IS ATTACHED.**
2. Brief resume of the Directors seeking re-appointment as mandated under Clause 49 of the Listing Agreement with the Stock Exchanges is annexed hereto and form part of the Notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **Wednesday, the 12th September, 2007 to Wednesday, the 19th September, 2007 (both days inclusive).**
4. The Board had recommended a Final Dividend of 130% at its meeting held on 25th June, 2007. The dividend, if approved by the Members at the said Annual General Meeting, will be paid before 11th October, 2007 to those Members, whose names appear on the Register of Members of the Company as on 19th September, 2007. However, in respect of shares held in electronic form, the dividend will be payable to those persons whose names appear as beneficial owners as at the closure of the business hours on 11th September, 2007 as per details to be furnished by the depositories.
5. Share transfer documents and all correspondence relating thereto, should be addressed to M/s. Karvy Computershare Private Ltd. (Karvy), Registrar and Share Transfer Agent of the Company, Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 Phone Nos. 040-23420815-19 & 1600-345-4001(Tollfree), Fax No. 040-23420814; e-mail: mailmanager@karvy.com. Karvy is also the depository interface of the Company with both NSDL and CDSL.

   However, keeping in view the convenience of the Shareholders, documents relating to shares will continue to be accepted at Karvy Computershare Private Ltd., 105-108, 1st Floor, Arunachal Building, 19, Barakhamba Road, Connaught Place, New Delhi-110 001, Phone Nos. 011-41036370 (tele-fax) & 43528522; e-mail: delhi@karvy.com and at the Registered Office of the Company at 8th Floor, Jeevan Bharati, Tower-II, 124, Indira Chowk, New Delhi- 110 001, Phone Nos. 011-23301277/23301257; e-mail: secretariat@ongc.co.in.
6. The Company has designated an exclusive e-mail ID called **secretariat@ongc.co.in** for redressal of shareholders'/investors' complaints/grievances. In case you have any queries/complaints or grievances, then please write to us at above e-mail address.
7. Members holding shares in electronic form may please note that the bank account details and 9-digit MICR Code of their Bankers, as noted in the records of their depository, shall be used for the purpose of remittance of dividend through Electronic Clearing Service (ECS),

or for printing on dividend warrants wherever applicable. Therefore, members are requested to update their Bank Account particulars, Change of address and other details with their respective Depository Participants.

8. Reserve Bank of India (RBI) is providing ECS facility for payment of dividend in select cities. Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 10th September, 2007, to M/s Karvy Computershare Private Ltd.

9. Pursuant to Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed amount of dividends paid up to 1999-2000 (Interim), to the General Revenue Account/ Investor Education and Protection Fund of the Central Government. **The unpaid/unclaimed amount of Final Dividend declared on 27th September, 2000 for the financial year 1999-00 will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government by 26th October, 2007. Members who have not encashed their dividend warrants pertaining to the said year may approach the Company or its Registrar & Share Transfer Agent for obtaining payment thereof.**

10. *In order to avoid the incidence of fraudulent encashment of dividend warrants, the Members holding shares in physical form are* requested to provide their Bank Account Number, Name and Address of the Bank/Branch to the Company or Karvy to enable them to incorporate the same in the dividend warrant.

11. Documents referred to in the accompanying Notice are available for inspection at the Registered Office of the Company on all working days between 10.00 a.m. to 1.00 p.m. prior to the Annual General Meeting.

12. Members desirous of obtaining any information/clarification (s) concerning the accounts and operations of the Company or intending to raise any query are requested to forward the same at least 10 days before the date of the meeting to Company Secretary at the Registered Office of the Company, so that the same may be attended to appropriately.

13. Annual listing fee for the year 2007-2008 has been paid to the Stock Exchanges wherein shares are listed.

14. Members who have not encashed their dividend warrants and/or fraction payment Bonus Shares warrants within their validity period may write to the Company at its Registered Office or M/s Karvy Computershare Private Ltd., Registrar & Share Transfer Agent of the Company, for revalidating the warrants or for obtaining duplicate warrants or payment in lieu of such warrants in the form of demand draft.

15. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares singly are advised to avail of the nomination facility by filing Form No. 2B in their own interest. Blank form can be had from Karvy on request. Members holding shares in dematerialised form may contact their respective DPs for registration of nomination.

16. Members holding physical shares in multiple folios in identical names are requested to send their share certificates to Company's Registrar and Share Transfer Agent, M/s Karvy Computershare Private Ltd. for consolidation.

17. Members are requested:

i) to bring their copies of Annual Report and Attendance Slip duly completed and signed at the meeting;

ii) to quote their Folio/DP & Client identification No. in all correspondence;

iii) Brief case, bags, eatables, cell phone etc. are prohibited inside the meeting hall for security reasons;

iv) to notify immediately for change of their address and bank particulars to the Company or its Share Transfer Agent, in case shares are held in physical form;

and

In case their shares are held in dematerialised form, information should be passed on directly to their respective Depository Participants and not to the Company/Share Transfer Agent, without any delay.

v) to note that **no gift** will be distributed at the meeting.

By Order of the Board of Directors

Regd. Office:
Jeevan Bharti Building
Tower II, 124, Indira Chowk
New Delhi - 110 001

(S. C. Setia)
Company Secretary

14th August, 2007

The Central Government vide its letter No. 47/309/2007-CL-III dated 10th August, 2007 has exempted the Company from attaching the reports and accounts of subsidiary companies with the Annual Report for the year 2006-07.

BRIEF RESUME AND OTHER INFORMATION IN RESPECT OF DIRECTORS SEEKING RE-ELECTION AT THE 14th AGM.

Name	**Shri S. Sundareshan**	**Shri A.K. Hazarika**	**Shri N. K. Mitra**	**Shri D.K. Pande**
Date of Birth & Age	October 28, 1952; 54 years	September 30, 1952; 54 years	January 14, 1949; 58 years	January 13, 1951 ; 56 years
Date of Appointment	May 10, 2007	September 9, 2004	September 9, 2004	September 23, 2005
Qualifications	IAS, MBA from University of Leeds, UK & Post Graduate from Mumbai University.	B.E (Mech).	B. Sc. (Hons.) Petroleum Engineering.	B.Sc (Hons) - Gold Medalist, M.Sc (Hons) in Geology.
No. of Shares held	Nil	1161	993	1668
Experience in Specific Functional Areas	Currently holding the position of Addl. Secretary, Ministry of Petroleum & Natural Gas; served with distinction both Central and State Governments; important assignments include Chairman, Forward Markets Commission; Minister, Economic & Commercial, Embassy of India, Tokyo, Japan; Joint Secretary, Deptt. of Economic Affairs, Ministry of Finance; Secretary to Govt. of Kerala, Deptt. of Expenditure, PWD & Irrigation; Joint Chief Controller of Imports & Exports; Managing Director, Kerala State Milk Marketing Federation & Kerala Fisheries Corpn. Ltd.	Holding the position of Director (Onshore); enriched and wide experience of about 30 years of several fields & staff assignments in various disciplines including Regional Cementing, In-charge, Head/ Chief Well Services, handled various important & complex responsibilities.	Holding the position of Director (Offshore); multifarious experience of over 32 years in ONGC and has been involved in engineering and commissioning of first sour gas platform at South Basin field of Western Offshore; instrumental in commissioning of first sea water processing and water injection platforms; Hazira gas terminal and by-pass line over river Mindola for gas supply production.	Currently holding the position of Director (Exploration); diverse and rich experience of about three decades in various fields including hydrocarbon exploration and development, Basin Analyst and Field Operations; In-charge of exploratory and development activities in acreages held by ONGC, R&D Institutes; guided and facilitated evaluation of overseas acreages for ONGC Videsh, pioneer in implementation of deepwater project 'Sagar Samridhi'; his initiatives led to discoveries in KG, Assam Arakan and Western Offshore basins; a sports lover and participated in 4th Antarctica Indian Expedition.
Directorship held in other Public Companies	• Indian Oil Corporation Ltd. • GAIL (India) Ltd. • Indian Strategic Petroleum Reserves Ltd.	• ONGC Videsh Ltd. • ONGC Tripura Power Co. Pvt. Ltd. • ONGC Teri- Biotech Ltd.	• ONGC Videsh Ltd. • Mangalore Refinery & Petrochemicals Ltd. • Pawan Hans Helicopters Ltd. • Petronet LNG Ltd. • ONGC Petro-additions Ltd.	• ONGC Videsh Ltd. • Energistics (Foreign Company).
Chairmanship/ Membership of Committees across all Public Companies	**ONGC** **Member** • Project Appraisal • Human Resource Management • Remuneration • Health, Safety & Environment • Business Development **Indian Oil Corporation Ltd.** **Member** - Project Evaluation	**ONGC** **Member** • Project Appraisal • Human Resource Management • Health, Safety & Environment • Financial Management • Business Development	**ONGC** **Member** • Project Appraisal • Human Resource Management • Health, Safety & Environment • Financial Management • Business Development	**ONGC** **Member** • Project Appraisal • Human Resource Management • Health, Safety & Environment • Financial Management • Business Development

ONGC

PERFORMANCE AT A GLANCE

(Rupees in million unless otherwise stated)	1st April, 2006 to 31st March, 2007	1st April, 2005 to 31st March, 2006	1st April, 2004 to 31st March, 2005	1st April, 2003 to 31st March, 2004
PHYSICAL				
Quantity Sold (Other than Trading)				
-Crude Oil (MMT)	24.42	22.45	24.09	23.94
-Natural Gas (MMM3)	20,306	20,500	20,644	21,103
-LPG (000'Tonnes)	1,033	1,084	1,086	1,161
-NGL/Naptha/ARN (000'Tonnes)	1,442	1,578	1,567	1,656
-Ethane/Propane (000'Tonnes)	548	535	528	534
-Superior Kerosene Oil (000'Tonnes)	156	176	177	218
Quantity Sold (Trading)				
-Superior Kerosene Oil (000'KL)	563	432	970	0
-HSD (000'KL)	1,394	874	1,538	0
-Motor Spirit (000'KL)	121	110	262	0
FINANCIAL				
Income from Operations (Turnover)	590,575	494,397	472,454	329,270
Statutory Levies	122,516	99,738	103,258	89,156
Operating Expenses	102,016	76,762	71,397	58,848
Exchange Loss	177	(172)	2	36
Purchases (Trading)	59,401	34,338	51,013	0
Profit Before Interest Depreciation & Tax (PBIDT)	306,465	283,731	246,784	181,230
Recouped Costs	94,994	84,573	62,016	55,881
Operating Income (PBIT)	211,471	199,158	184,768	125,349
Interest(Net)	(20,480)	(12,808)	(11,887)	(10,741)
Profit before Tax and Extraordinary Items	231,951	211,966	196,655	136,090
Extraordinary Items	4,751	6,405	0	0
Profit before Tax	236,702	218,371	196,655	136,090
Corporate Tax	80,273	74,063	66,825	49,446
Net Profit (PAT)	156,429	144,308	129,830	86,644
Dividend	66,305	64,167	57,037	34,222
Tax on Dividend	10,125	9,000	7,763	4,385
Share Capital	21,389	14,259	14,259	14,259
Net Worth (Equity)	614,099	535,934	463,142	400,024
Borrowings	696	1,069	1,490	2,118
Working Capital	304,021	265,664	212,895	191,535
Capital Employed	540,744	493,763	419,926	395,299
Internal Resources Generation	242,253	142,847	117,120	93,069
Plan Expenditure	133,050	114,210	106,813	68,520
Contribution to Exchequer	286,596	234,086	228,117	168,582
Expenditure on Employees	48,933	30,147	27,465	25,619
Number of Employees	33,810	34,722	36,185	38,033
FINANCIAL PERFORMANCE RATIOS				
PBIDT to Turnover (%)	51.9	57.4	52.2	55.0
PBDT to Turnover (%)	55.4	60.0	54.8	58.3
Profit Margin(%)	26.5	29.2	27.5	26.3
Contribution to Exchequer to Turnover (%)	48.5	47.3	48.3	51.2
ROCE(PBIDT to Capital Employed) (%)	56.7	57.5	58.8	45.8
Net Profit to Equity (%)	25.5	26.9	28.0	21.7
BALANCE SHEET RATIOS				
Current Ratio	2.77:1	3.08:1	2.62:1	2.79:1
Debt Equity Ratio	0.001:1	0.002:1	0.003:1	0.01:1
Debtors Turnover Ratio(Days)	17	27	29	26
PER SHARE DATA				
Earning Per Share (Rs.)- before extraordinary items	71.66	98.22	91.05	60.8
Earning Per Share (Rs.)- after extraordinary items	73.14	101.20	91.05	60.8
Dividend (%)	310	450	400	240
Book Value Per Share(Rs.)	287*	376	325	281

* Post bonus

1st April, 2002 to 31st March, 2003	1st April, 2001 to 31st March, 2002	1st April, 2000 to 31st March, 2001	1st April, 1999 to 31st March, 2000	1st April, 1998 to 31st March, 1999	1st April, 1997 to 31st March, 1998
23.90	22.86	23.38	23.39	24.45	26.27
21,110	20,446	20,501	20,064	19,386	19,228
1,198	1,157	1,211	1,208	1,180	1,144
1,642	1,681	1,514	1,393	1,451	1,535
619	528	570	557	506	557
234	231	221	228	177	7
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
353,872	238,574	242,704	203,236	151,029	153,462
92,334	59,742	55,515	51,592	46,676	49,529
70,855	49,084	51,594	48,025	30,946	28,540
191	469	1,269	3,542	5,912	2,914
0	0	0	0	0	0
190,492	129,279	134,326	100,077	67,495	72,479
41,439	38,399	47,394	42,523	31,912	38,374
149,053	90,880	86,932	57,554	35,583	34,105
(12,185)	(7,672)	(4,636)	(1,751)	(163)	987
161,238	98,552	91,568	59,305	35,746	33,118
0	0	0	0	0	0
161,238	98,552	91,568	59,305	35,746	33,118
55,945	36,573	39,280	23,010	8,201	6,340
105,293	61,979	52,288	36,295	27,545	26,778
42,778	19,963	15,685	9,268	7,842	3,565
2,375	0	1,600	1,412	863	356
14,259	14,259	14,259	14,259	14,259	14,259
356,081	295,119	301,478	267,368	241,712	223,228
3,627	30,381	41,911	68,501	79,560	92,734
127,132	109,249	91,386	68,485	43,189	32,684
352,170	329,061	310,331	293,185	267,256	253,820
81,735	68,448	50,020	44,747	41,942	79,264
50,890	40,403	36,072	40,687	44,679	40,053
191,016	108,799	111,428	87,032	64,173	61,644
25,921	21,847	23,184	23,678	13,431	12,631
39,352	40,280	40,226	40,021	41,040	42,158
53.8	54.1	54.2	49.2	44.7	47.2
57.2	57.3	56.1	50.1	44.8	46.6
29.8	26.0	21.5	17.9	18.2	17.5
54.0	45.6	45.9	42.8	42.5	40.2
54.0	39.2	42.4	34.1	25.3	28.6
29.6	21.0	17.3	13.6	11.4	12.0
2.45:1	2.62:1	2.89:1	2.36:1	1.82:1	1.77:1
0.01:1	0.10:1	0.14:1	0.26:1	0.33:1	0.42:1
41	34	26	31	27	31
73.8	43.5	36.7	25.5	19.3	18.8
73.8	43.5	36.7	25.5	19.3	18.8
300	140	110	65	55	25
250	207	211	188	170	157

ओएनजीसी ONGC

STATEMENT OF INCOME AND RETAINED EARNINGS

(Rupees in million)	1st April, 2006 to 31st March, 2007	1st April, 2005 to 31st March, 2006	1st April, 2004 to 31st March, 2005	1st April, 2003 to 31st March, 2004
REVENUES				
Sales				
Crude Oil	372,096	317,357	311,824	222,124
Natural Gas	72,113	66,701	53,206	52,039
LPG	14,866	16,293	12,066	16,352
NGL/Naptha/Aromatic Rich Naptha	37,907	35,679	29,260	22,538
Ethane/Propane	9,095	7,401	5,705	4,779
Superior Kerosene Oil	15,754	10,605	16,896	2,658
HSD	42,037	23,403	29,277	85
Motor Spirit	4,530	3,797	6,846	0
Others	634	617	1,434	1,060
Price Revision Arrears	11	156	584	3,461
Sub- Total	569,037	482,009	467,098	325,096
Pipeline Revenue	82	15	23	24
Other Receipts	21,653	10,257	5,034	4,262
Accretion / (Decretion) in stock	(197)	2,116	299	(112)
Total Income from Operations	590,575	494,397	472,454	329,270
COST & EXPENSES				
Operating, Selling & General				
(a) Royalty	53,428	46,181	37,911	28,451
(b) Cess/ Excise Duty	62,024	44,302	46,498	46,302
(c) National Calamity Contingent Duty - Crude Oil	1,149	1,081	1,138	1,117
(d) Sales Tax	1,380	5,727	14,580	11,050
(e) Education Cess *	1,303			
(f) Octroi & Port Trust Charges	3,232	2,447	3,131	2,236
Sub-total (a to f)	122,516	99,738	103,258	89,156
Pipeline Operations (Excluding Depreciation)	6,460	5,907	8,982	5,717
Other Operational Costs	95,556	70,855	62,415	53,131
Exchange Loss	177	(172)	2	36
Purchases	59,401	34,338	51,013	0
Recouped Costs				
(a) Depletion	33,849	29,702	24,851	23,323
(b) Depreciation	16,249	23,759	5,437	6,057
(c) Amortisation	43,167	31,437	31,588	26,339
(d) Impairment	1,729	(325)	140	162
Sub-Total (a to d)	94,994	84,573	62,016	55,881
Total Cost & Expenses	379,104	295,239	287,686	203,921
Operating Income Before Interest &Tax	211,471	199,158	184,768	125,349
Interest				
-Payments	215	470	377	468
-Receipts	20,695	13,278	12,264	11,209
-Net	(20,480)	(12,808)	(11,887)	(10,741)
Profit before Tax and Extraordinary Items	231,951	211,966	196,655	136,090
Extraordinary Items	4,751	6,405	0	0
Profit before Tax	236,702	218,371	196,655	136,090
Corporate Tax (Net)	80,273	74,063	66,825	49,446
Net Profit	156,429	144,308	129,830	86,644
Dividend	66,305	64,167	57,037	34,222
Tax on Dividend	10,125	9,000	7,763	4,385
Retained Earnings For The Year	79,999	71,141	65,030	48,037

*Upto 2005-06 education cess is included in respective heads of levies.

1st April, 2002 to 31st March, 2003	1st April, 2001 to 31st March, 2002	1st April, 2000 to 31st March, 2001	1st April, 1999 to 31st March, 2000	1st April, 1998 to 31st March, 1999	1st April, 1997 to 31st March, 1998
244,131	137,115	141,538	115,614	88,610	96,351
49,986	49,446	49,756	47,147	37,319	36,561
19,087	11,473	14,161	9,279	7,581	3,334
22,035	18,782	18,554	14,063	7,680	4,013
5,837	4,082	4,359	3,844	2,077	2,285
3,188	1,731	1,616	1,028	580	18
80	0	0	0	0	0
0	0	0	0	0	0
995	766	522	451	236	100
1,568	5,017	1,355	8,400	3,409	8,311
346,907	228,412	231,861	199,826	147,492	150,973
478	3,966	4,612	1,110	2,136	1,271
6,276	6,194	5,784	2,148	1,399	1,173
211	2	447	152	2	45
353,872	238,574	242,704	203,236	151,029	153,462
30,002	25,142	23,024	21,018	17,699	19,058
46,994	25,660	23,833	23,499	23,745	24,976
98	0	0	0	0	0
12,561	7,713	7,439	6,453	4,671	4,895
2,679	1,227	1,219	622	561	600
92,334	59,742	55,515	51,592	46,676	49,529
5,452	4,951	4,965	5,727	3,654	3,070
65,403	44,133	46,629	42,298	27,292	25,470
191	469	1,269	3,542	5,912	2,914
0	0	0	0	0	0
17,497	15,638	15,759	14,099	15,254	15,724
7,599	8,286	10,602	16,224	6,955	7,751
16,181	14,228	18,172	12,200	9,703	14,899
162	247	2,861	0	0	0
41,439	38,399	47,394	42,523	31,912	38,374
204,819	147,694	155,772	145,682	115,446	119,357
149,053	90,880	86,932	57,554	35,583	34,105
1,132	2,469	3,984	6,003	8,342	7,185
13,317	10,141	8,620	7,754	8,505	6,198
(12,185)	(7,672)	(4,636)	(1,751)	(163)	987
161,238	98,552	91,568	59,305	35,746	33,118
0	0	0	0	0	0
161,238	98,552	91,568	59,305	35,746	33,118
55,945	36,573	39,280	23,010	8,201	6,340
105,293	61,979	52,288	36,295	27,545	26,778
42,778	19,963	15,685	9,268	7,842	3,565
2,375	0	1,600	1,412	863	356
60,140	42,016	35,003	25,615	18,840	22,857

ओएनजीसी ONGC

STATEMENT OF FINANCIAL POSITION

(Rupees in million)	As at 31st March, 2007	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2004
RESOURCES				
A. Own				
1. Net Worth				
(a) Equity				
i) Share Capital	21,389	14,259	14,259	14,259
ii) Reserves & Surplus	597,851	525,338	454,195	391,172
Sub-Total	619,240	539,597	468,454	405,431
(b) Less Intangible Assets	5,141	3,663	5,312	5,407
Net Worth	614,099	535,934	463,142	400,024
2. Long Term Liabilities				
Deferred Tax Liability	65,227	63,551	54,438	58,420
Provision For Gratuity & Abandonment *				
Total Own Funds (1 + 2)	679,326	599,485	517,580	458,444
B. Outside				
1. Unsecured Loans				
a) Indian Loans	202	404	607	809
b) Foreign Loans	494	665	883	1,309
Total Unsecured Loans	696	1,069	1,490	2,118
2. Deferred Credits (Principal Only)	0	0	0	0
Total Outside Resources	696	1,069	1,490	2,118
TOTAL RESOURCES (A+ B)	680,022	600,554	519,070	460,562
DISPOSITION OF RESOURCES				
A. Block Capital				
1. Fixed Assets	88,391	78,422	58,365	56,684
2. Producing Properties (Net) **	295,685	275,833	229,607	227,372
less: Liability for Abandonment Cost	147,353	126,156	80,941	80,292
Total Block Capital	236,723	228,099	207,031	203,764
B. Working Capital				
a) Current Assets				
i) Inventories	30,338	30,385	25,692	24,057
ii) Debtors (Net of Provision)	27,594	37,043	37,293	23,178
iii) Cash & Bank Balances	136,704	42,792	58,488	55,735
iv) Deposit with Bank Under Site Restoration Fund Scheme#	56,103	45,336	36,181	31,682
v) Loans & Advances and Others	193,214	216,059	164,004	145,963
Sub-Total	443,953	371,615	321,658	280,615
Less				
(b) Current Liabilities and Provisions and Short Term Loans (excl. Prov. for Gratuity, Abandonment & Impairment)*	139,932	105,951	108,763	89,080
Working Capital	304,021	265,664	212,895	191,535
C. Capital Employed	540,744	493,763	419,926	395,299
D. Investments	57,021	48,885	40,367	44,217
E. Capital Works in Progress	48,251	28,303	41,419	9,826
F. Exploratory/Development Wells in Progress	34,006	29,603	17,358	11,220
TOTAL DISPOSITION	680,022	600,554	519,070	460,562

* For the Year 2002-03 & 2001-02 Provision for Gratuity & Abondonment are included in Current Liabilities.
From the Year 2003-04, Provision for Gratuity is included in Current Liabilities and Liability for Abandonment has been deducted from Producing Properties.

** Net of provision for impairment upto 2003-04. From 2004-05 impairment is adjusted in carrying value.

Excluded for Current Ratio.

As at 31st March, 2003	As at 31st March, 2002	As at 31st March, 2001	As at 31st March, 2000	As at 31st March, 1999	As at 31st March, 1998
14,259	14,259	14,259	14,259	14,259	14,259
343,130	282,963	288,854	253,843	228,229	209,389
357,389	297,222	303,113	268,102	242,488	223,648
1,308	2,103	1,635	734	776	420
356,081	295,119	301,478	267,368	241,712	223,228
52,348	53,471				
0	0	7,181	4,183	2,167	1,865
408,429	348,590	308,659	271,551	243,879	225,093
1,011	1,213	1,415	2,263	2,809	6,028
2,616	29,168	38,411	62,557	71,808	80,840
3,627	30,381	39,826	64,820	74,617	86,868
0	0	2,085	3,681	4,943	5,866
3,627	30,381	41,911	68,501	79,560	92,734
412,056	378,971	350,570	340,052	323,439	317,827
53,928	56,008	58,893	64,001	74,114	82,202
171,110	163,804	160,052	160,699	149,953	138,934
225,038	219,812	218,945	224,700	224,067	221,136
15,710	14,526	15,369	15,649	15,718	18,786
39,359	22,514	17,338	17,245	11,086	13,093
36,309	49,105	20,545	33,554	18,960	21,785
24,781	6,350				
98,811	84,164	86,463	52,471	50,422	21,679
214,970	176,659	139,715	118,919	96,186	75,343
87,838	67,410	48,329	50,434	52,997	42,659
127,132	109,249	91,386	68,485	43,189	32,684
352,170	329,061	310,331	293,185	267,256	253,820
39,826	33,232	23,607	22,857	27,115	44,224
9,329	6,903	7,283	9,757	16,684	9,915
10,731	9,775	9,349	14,253	12,384	9,868
412,056	378,971	350,570	340,052	323,439	317,827

(Rupees in million)	1st April, 2006 to 31st March, 2007	1st April, 2005 to 31st March, 2006	1st April, 2004 to 31st March, 2005	1st April, 2003 to 31st March, 2004
DETAILS OF DEPRECIATION ALLOCATED TO:				
Survey	**863**	722	575	760
Exploratory Drilling	**1,672**	1,885	1,503	1,517
Development	**14,251**	13,605	10,623	9,322
Production /Profit & Loss Account	**16,094**	22,226	5,435	6,056
Others	**48**	89	106	25
Total	**32,928**	38,527	18,242	17,680
CONTRIBUTION TO EXCHEQUER				
CENTRAL				
1. Cess/Excise Duty	**62,028**	44,302	46,501	46,314
2. National Calamity Contingent Duty - Crude Oil	**1,149**	1,081	1,138	1,117
3. Royalty	**27,920**	23,056	21,811	16,202
4. Education Cess *	**1,303**			
5. Corporate Tax				
a) On ONGC's Account	**78,403**	64,025	69,817	43,516
b) For Foreign Contractors	**34**	3	23	20
6. Dividend	**49,159**	47,573	42,287	27,364
7. Tax on Dividend	**10,125**	8,999	7,763	4,385
8. Customs Duties	**1,441**	888	2,423	4,114
9. Mumbai Port Trust Charges	**691**	710	2,999	364
Sub Total	**232,253**	190,637	194,762	143,396
STATE				
1. Sales Tax/VAT	**25,998**	18,263	14,581	11,060
2. Royalty	**25,513**	23,126	16,103	12,249
3. Octroi Duties etc.	**2,832**	2,060	2,671	1,877
Sub Total	**54,343**	43,449	33,355	25,186
Grand Total	**286,596**	234,086	228,117	168,582

*Upto 2005-06 education cess is included in respective heads of levies.

	1st April, 2002 to 31st March, 2003	1st April, 2001 to 31st March, 2002	1st April, 2000 to 31st March, 2001	1st April, 1999 to 31st March, 2000	1st April, 1998 to 31st March, 1999	1st April, 1997 to 31st March, 1998
	712	370	463	376	347	288
	1,590	1,748	1,680	1,708	1,598	1,471
	9,587	9,725	9,000	15,933	14,597	15,662
	7,594	7,865	10,602	16,224	6,955	7,752
	55	0	8	31	57	6
	19,538	19,708	21,753	34,272	23,554	25,179
	47,008	25,662	23,862	23,501	23,746	24,979
	98	0	0	0	0	0
	17,380	16,602	15,615	14,586	12,446	13,643
	58,850	31,012	39,280	23,010	8,202	6,340
	24	32	76	126	142	82
	35,981	16,791	13,193	7,796	6,596	3,427
	2,375	0	1,600	1,412	863	356
	1,432	1,213	1,741	2,984	1,695	1,899
	345	260	185	188	221	255
	163,493	91,572	95,552	73,603	53,911	50,981
	12,561	7,719	7,430	6,472	4,673	4,897
	12,623	8,541	7,412	6,524	5,257	5,419
	2,339	967	1,034	433	332	347
	27,523	17,227	15,876	13,429	10,262	10,663
	191,016	108,799	111,428	87,032	64,173	61,644

GLOSSARY OF ENERGY & FINANCIAL TERMS

RECOUPED COST:

It refers to Depreciation, Depletion, Impairment and Amortisation charged in accounts. These are non-cash costs.

a) DEPRECIATION:

A measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, efflux of time or obsolescence through technology and market changes. It is provided for and allocated as mentioned in para 8 of the Significant Accounting Policies.

b) DEPLETION:

A measure of exhaustion of a wasting asset (Producing Properties) represented by periodic write off of cost. It is computed with reference to the amortisation base by taking the related capital cost incurred divided by hydrocarbon reserves and multiplied by production.

c) IMPAIRMENT :

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Impairment Loss is recognized in the accounts as per para 3 of the Significant Accounting Policies.

d) AMORTISATION:

It refers to the Dry wells and Survey expenditure expensed in the accounts in line with para 5.2 and 5.3.1 of the Significant Accounting Policies.

ROYALTY:

It is a levy imposed under The Petroleum and Natural Gas Rules, 1959 payable to the respective State or Central Government granting the lease (Central Government in case of offshore) on crude oil and natural gas.

CESS:

It is a levy imposed under The Oil Industry (Development) Act, 1974 on crude oil produced and payable to the Central Government.

EXPLORATION COSTS:

Costs incurred in exploring property. Exploration involves identifying areas that may warrant examination and examining specific areas, including drilling exploratory wells.

DEVELOPMENT COSTS:

Costs incurred in preparing proved reserves for production i.e. costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing oil and gas.

PRODUCTION COSTS:

Costs incurred in lifting the oil and gas to the surface and in gathering, treating and storing the oil and gas.

ABANDONMENT COST:

Abandonment costs are the costs incurred on discontinuation of all operations and surrendering the property back to the owner. These costs relate to plugging and abandoning of wells, dismantling of wellheads, production and transport facilities and to restoration of producing areas. Abandonment Cost is recognized in the accounts as per para 7 of the Significant Accounting Policies.

DEVELOPMENT WELL:

A well drilled within the proved area of an Oil and Gas reservoir to the depth of a horizon known to be productive.

EXPLORATORY WELL:

A well that is not a development well, a service well, or a stratigraphic test well i.e. a well drilled in an unproved area for the purpose of finding and producing Oil or Gas.

PRODUCING PROPERTY:

These may be defined as the value assigned to crude oil or gas reserves which can be produced from existing facilities.

NET PRESENT VALUE:

NPV is the present (discounted) value of future cash inflows minus the present value of the cash outflows.

PARTICIPATING INTEREST:

The share expressed as a percentage in the rights and obligations of each party to a Production Sharing Contract (PSC).

UNIT OF PRODUCTION METHOD:

The method of depreciation (depletion) under which depreciation (depletion) is calculated on the basis of the number of production or similar units expected to be obtained from the asset by the enterprise.

CONDENSATES:

Liquid hydrocarbons produced with natural gas, separated by cooling and other means.

DEVELOPMENT:

Following discovery, drilling and related activities necessary to begin production of oil or natural gas.

ENHANCED RECOVERY:

Techniques used to increase or prolong production from oil and natural gas fields.

EXPLORATION:

Searching for oil and/or natural gas, including topographical surveys, geologic studies, geophysical surveys, seismic surveys and drilling wells.

INTEGRATED PETROLEUM COMPANY:

A company engaged in all aspects of the industry from exploration and production of crude oil and natural gas (upstream) to refining, marketing and transporting products (downstream).

LIQUEFIED NATURAL GAS (LNG):

Gas that is liquefied under extremely cold temperatures and high pressure to facilitate storage or transportation in specially designed vessels.

LIQUEFIED PETROLEUM GAS (LPG):

Light gases, such as butane and propane that can be maintained as liquids while under pressure.

NATURAL GAS LIQUIDS (NGL):

Separated from natural gas, these include ethane, propane, butane and natural gasoline.

HEAVY CUT:

These are heavier hydrocarbons obtained in fractionation unit of Kerosene Recovery Process, where NGL is processed to yield Aromatic Rich Naphtha and Superior Kerosene Oil.

OIL EQUIVALENT GAS (OEG):

The volume of natural gas that can be burnt to give the same amount of heat as a barrel of oil (6,000 cubic feet of gas equals one barrel of oil).

RESERVES:

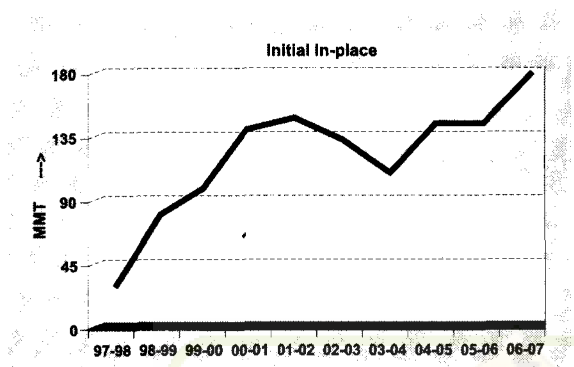
Oil and Natural Gas contained in underground rock formations called reservoirs. Proved reserves are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Reserve estimates change as additional information becomes available. Recoverable reserves are those that can be produced using all known primary and enhanced recovery methods.

DIRECTORS' REPORT

DEAR MEMBERS,

On behalf of the Board of Directors of your Company, it is my privilege to present the **14th Annual Report** and Audited Statement of Accounts for the year ended 31st March, 2007, together with the Auditors' Report and the Comments on the Accounts by the Comptroller and Auditor General (C&AG) of India.

During the year, your Company made **twenty two (22) Hydrocarbon discoveries,** out of which **nine were from the new prospects** and thirteen by establishing new pools in the existing prospects. Out of these nine new discoveries, three are in Cambay Basin, one each in Mumbai Offshore, Assam Shelf and Cauvery Basin and three in East Coast deepwater. Further, extensive exploration efforts have resulted into five significant discoveries during the first quarter of the current fiscal, two in Assam and one each in Tripura, KG Basin Onshore and Mahanadi Basin Offshore.



The Company has discovered **Initial In-place (IIP)** reserves of **169.52 Million Metric Tonnes (MMT) of Oil and Oil Equivalent Gas (O+OEG)** from domestic fields in 2006-07, **the highest during the last ten years.**

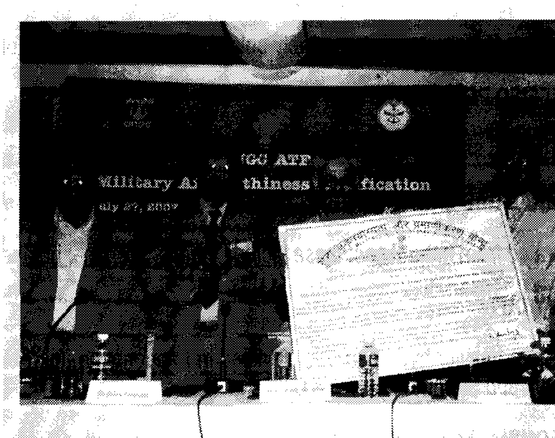
You would be pleased to know that your Company has opened up **ultra-deepwater province** in the country by making the first discovery in well UD-1 at a water depth of 2,841 metres in **KG-DWN-98/2 Block.**

During the year, your Company registered an increase of 3.2% in O+OEG production with 6.7% increase in crude oil production, notwithstanding natural decline in reservoir energy and effect of natural calamities at Hazira Plant and Gujarat oil fields. The Company also maintained the trend of achieving Reserve Replacement Ratio (RRR) of more than one (1.35 during 2006-07). Considering production of ONGC Videsh Limited (OVL) and Joint Ventures, the total production of ONGC Group is 60.80 MMT (O+OEG), up 5.8%; oil production up by 9.9%.

Monetizing 44 Marginal fields out of 165 identified fields, your Company added a contribution of 0.5 MMT of O+OEG. 90 more marginal fields are under monetization.

Your Company has initiated integrated development of G-1 and GS-15 fields in Krishna-Godavari (KG) Basin through LSTK EPC contract. However, due to non-performance of the contractor, the contract has been terminated on 4th June, 2007. Necessary measures have been initiated to complete the balance work at 'risk-and-cost' of the contractor, as per contractual terms. This is likely to entail additional expenditure of approx. US$ 87 million after adjusting contractor's liability towards 'risk-and-cost'. Development of adjacent deepwater fields "Vashishta" and "S-1" is in offing. Efforts are being made to develop these fields utilising the facilities under G-1 and GS-15 projects to the maximum extent in order to offset this cost.

It is a matter of pride that ONGC is **the only Company in India to produce Aviation Turbine Fuel (ATF) from Gas Condensate.** The first tanker of ATF was flagged off to ONGC's Helibase at Juhu, Mumbai from Hazira Plant on 11th March, 2007.



ONGC's Director (Offshore & Marketing) N K Mitra (extreme right) receives Airworthiness approval certificate from Centre for Military Airworthiness & Certification (CEMILAC), qualifying ATF produced by ONGC's Hazira Plant for use in military aircrafts

ONGC continues to maintain the unique distinction in the Indian Corporate Sector of having the **highest Net Worth** (Rs. 614,099 million) and earning the **highest Net Profit** (Rs. 156,429 million), despite allowing subsidy sharing discounts to the tune of Rs. 170,239 million to PSU Oil Marketing Companies (OMCs) in the price of Crude Oil, PDS Kerosene and Domestic LPG, as per administrative orders of the Ministry of Petroleum & Natural Gas, Government of India. Also, the Company remains undisputed leader in India in terms of dividend payout (Rs. 66,305 million).

Your Company has been reaffirmed **the highest-ever Credit Rating for an Indian Corporate**, awarded initially in the previous year, by the International Credit rating Agency, **Moody's Investor Services.** The rating awarded to your Company is **Baa1** (Indicative Foreign Currency debt

rating) **2 notches higher than Sovereign rating/ A2** (Local currency issuer rating) **6 notches higher than Sovereign rating,** with stable outlook. **CRISIL and ICRA** have also reaffirmed your Company the **highest credit rating of AAA and LAAA** respectively, with a stable outlook.

ONGC got 24 blocks, (the highest by any Company) out of 52 blocks awarded by the Government of India under NELP-VI (New Exploration Licensing Policy). In addition, ONGC is a partner (with 35% share) in Block PR-OSN-2004/1 in which Cairn Energy is the Operator. Cumulatively, your Company has been awarded 85 blocks (more than half), out of 162 blocks awarded so far in the six NELP bidding rounds.

You may be delighted to know that your Company has been ranked as the **Numero Uno Oil & Gas Exploration & Production (E&P) Company** in the world by **"Platts 250 Global Energy Companies List for the year 2006"** (released on 6th September, 2006). At the same time, your Company has also been ranked as **20th Leading Global Energy Major** amongst the **"Top 250 Energy Majors of the World in the Platt's List"**, based on outstanding performance of your Company in respect of Assets, Revenues, Profits and Return on Invested Capital (ROIC).

You will also be happy to know that your Company is the only Company from India to feature in the **Fortune magazine's** list of the **World's Most Admired Companies 2007.** Your Company secured 9th position in the Industry - Mining, Crude Oil Production. This ranking was based on the valued perception of the Financial Analysts and Executives and Directors of 347 companies with annual revenue in excess of US$ 8 billion.

ONGC entered into an Agreement with Brazilian oil major Petrobras for swapping interests in offshore blocks; the Agreement was signed in presence of the Indian Prime Minister and the Brazilian President.

It is a privilege to report that your Company has established benchmarks of excellence in various facets of its activities and has been well recognized through peer-and-public evaluation. The details of awards and recognitions to your Company are placed at **Annexure-E,** important highlights of which are:

Highlights:

- Your Company retains its **Numero Uno** ranking amongst all Indian Companies in the prestigious **Forbes Global 2000** list of World's mega corporations (based on composite evaluation of Sales, Profits, Assets and Market Value). Your Company **climbed up 17 places to 239th position** from last year's ranking at 256th position.

- The Company climbed to **369th rank** (from 402nd rank last year) in **Fortune Global 500** list for the year 2006 based on Revenues. In terms of Profits, your Company maintains its top rank from India, with overall ranking of 121st (July, 2007).

- ONGC was conferred with coveted **Motilal Oswal CNBC TV18 Biggest Wealth Creator of India award** for the period 2001-2006.

- The Company has been ranked **Numero Uno** in the Indian Corporate Sector by the **Business India Super 100** (December, 2006), based on Sales, Profits, Net Fixed Assets and the Market Value.

The subsidiaries of your Company, **ONGC Videsh Limited (OVL) and Mangalore Refinery and Petrochemicals Limited (MRPL),** registered unprecedented performance levels during the year.

OVL, wholly-owned subsidiary of your Company, the biggest Indian Multinational, operating in 15 countries with 26 projects, has made significant oil discovery in North Ramadan Block 6 in Egypt. OVL also discovered oil and gas in Farsi Offshore Block under Exploration Service Contract with National Iranian Oil Company. OVL sourced 7.95 Million Metric Tonnes (MMT) of equity Oil & Oil Equivalent Gas (O+OEG), the highest-ever, 25% more than the previous fiscal. OVL recorded the highest-ever Sales Turnover and Profits with a growth of 46% and 85%, respectively.

Government of India (GoI) conferred the **"Mini Ratna"** (Category-1) Company status on 15th June, 2007 to **Mangalore Refinery and Petrochemicals Limited (MRPL)**, a subsidiary of your Company. MRPL achieved new heights in terms of Capacity Utilization, Turnover and Profits. MRPL has been ranked **11th among the India's top 500 Companies** (5th among oil refining & marketing companies) in terms of **Total Income** in 2006 by **Dun & Bradstreet India.** In recognition of the Refinery's Annual Energy performance, MRPL received the **"Jawaharlal Nehru Centenary Award for Energy Performance Refineries"** for 2006-07, the fourth year in succession.

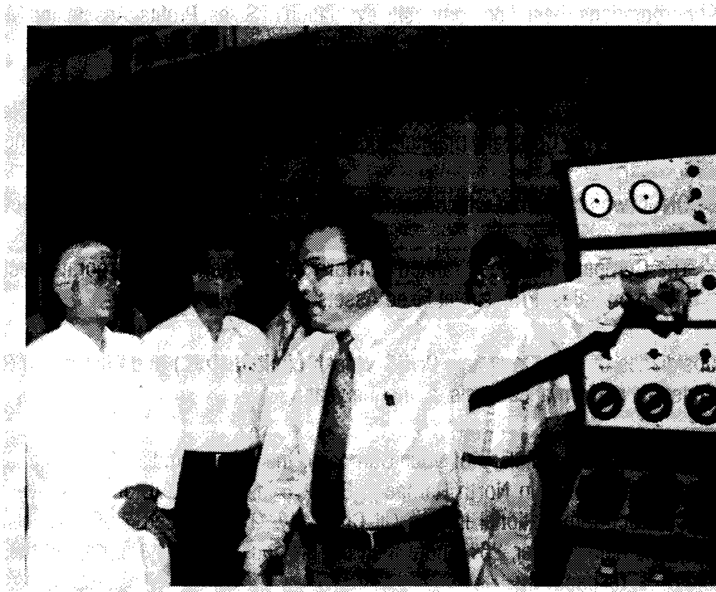
In addition, your Company took structured initiatives for pursuing its value-chain integration projects. Your Company incorporated "**Mangalore Petrochemicals Limited (MPL)**" at Mangalore on 19th December, 2006 (later rechristened as **ONGC Mangalore Petrochemicals Limited)** at an estimated cost of about Rs. 48,520 million to produce Paraxylene, a value added product, using Naphtha as feedstock from MRPL. ONGC holds 46% stake in the venture and MRPL has another 3% stake. Your Company promoted (holding 23% equity) yet another Joint Venture (JV), **"ONGC Petro-additions Ltd. (OPaL)"** to develop a mega petrochemicals complex at Dahej. OPaL has been incorporated on 15th November, 2006.

A model of upcoming Rajiv Gandhi Urja Bhawan in Delhi, being set up by ONGC for holistic research in Alternate Energy sources.

Your Company has also promoted a Joint Venture (JV) **"ONGC TERI Biotech Ltd. (OTBL)"** in association with **The Energy Research Institute (TERI)** for addressing the requirements of Bioremediation, Microbial Enhanced Oil Recovery and Prevention of Wax Deposition in tubulars for its E&P operations.

The Company has taken structured initiatives to tap unconventional energy sources like **Coal Bed Methane (CBM)** and **Underground Coal Gasification (UCG).** Intensive CBM exploration is in progress in Jharkhand and Rajasthan. Early production Pilot scheme has already been formulated in Jharia CBM Block. In addition, four new sites, one in South Gujarat and three in Rajasthan, have been taken up for UCG exploration in association with Neyveli Lignite Corporation Limited (NLC) and Gujarat Mineral Development Corporation Limited (GMDC). Your Company is also setting up a state-of-the-art laboratory in collaboration with Indian Institute of Technology (IIT), Mumbai for UCG research.

"ONGC Energy Centre Trust", dedicated towards holistic research in non-conventional energy sources, has taken up three projects viz., Thermo-chemical Reactor for Hydrogen, Geo-bio Reactors and Fuel Cells.



Director (Technology & Field Services) U N Bose explaining features of ONGC's Well Control School to Parliamentary Committee. This Well Control School is only one of its kind in this part of the world.

The employees of your Company (the ONGCians) gave a spectacular performance at the 15th Asian Games held at Doha, Qatar during 28th November to 15th December, 2006. You may be proud to know that eight out of ten Gold medals won by India in this edition of Asian Games have been contributed by the ONGCians. An ONGCian, Shri Jaspal Rana, with three Gold medals, was ranked amongst the best performers of these Games. Another ONGCian` Shri Pankaj Advani has been conferred 'Rajiv Gandhi Khel Ratna Award', the highest award of the country in the field of games and sports, on 29th August, 2006.

You may be pleased to know that your Company, sensitive towards protection of environment, is the first Central Public Sector Undertaking (CPSU) to register two of its Clean Development Mechanism (CDM) Projects with United Nations Framework Convention on Climate Change (UNFCCC), which will help mitigate Climate Change. ONGC already has the rare distinction of having all its operational installations accredited under Quality, Health, Safety & Environment (QHSE) certifications.

1. FINANCIAL RESULTS

Your Company earned a **Net Profit of Rs.156,429 million** (up 8.4% from Rs. 144,308 million in 2005-06). In the process, it retained the distinction of being the highest profit making Company of India.

During the year under review, the Company registered a gross revenue of Rs. 590,575 million (up 19.5% from Rs. 494,397 million in 2005-06), despite sharing under-recoveries of Rs. 170,239 million (Rs. 119,565 million in 2005-06), of the Public Sector Oil Marketing Companies by way of discounts in the price of Crude Oil, Domestic LPG and PDS Kerosene (SKO), on administrative instructions of the Ministry of Petroleum & Natural Gas (MoP&NG), Government of India.

Bonus Shares

As a Golden Jubilee Memorabilia, your Company issued Bonus Shares in the ratio of 1:2 by issuing 71,29,57,510 Bonus Shares. Now your Company has 213,88,72,530 equity shares of Rs. 10/- each so as to increase the equity capital from Rs. 14,259 million to Rs. 21,389 million.

Highlights

• **Sales Revenue**	Rs. 569,112 million
• **Profit after Tax (PAT)**	Rs. 156,429 million
• **Contribution to Exchequer** (ONGC's contribution to Central and State Government by way of Cess, Royalty, Duties, Taxes and Dividend on Central Government's shareholding)	Rs. 286,596 million
• **Return on Capital Employed**	56.7%
• **Debt Equity Ratio**	0.001:1
• **Earning Per Share (Rs.) - post Bonus**	73.14
• **Book Value Per Share (Rs.) - post Bonus**	287

Summary

(Rs. in million)

	2006-07		2005-06	
Gross Revenue		590,575		494,397
Gross Profit		335,431		306,680
Less				
Interest	215		470	
Exchange Variation	177		(172)	
Depreciation	16,249		23,759	
Amortisation	43,167		31,437	
Depletion	33,849		29,702	
Impairment	1,730		(325)	
Provision/Write Offs	3,342		3,438	
Provision for Taxation (including deferred tax liability of Rs. 1,870 million)	80,273	179,002	74,063	162,372
Net Profit After Tax		156,429		**144,308**
Appropriations				
Interim Dividend		38,500		35,648
Proposed Final Dividend		27,805		28,519
Tax on Dividend		10,125		9,000
Transfer to General Reserve		79,999		71,141
Total		156,429		**144,308**

2. DIVIDEND

Your Company had paid an Interim Dividend of Rs. 18 per share (180%) in December, 2006 and the Directors of the Company are pleased to recommend a Final Dividend of Rs.13 per share (130%) making aggregate dividend of Rs. 31 per share (310%) on the expanded capital (post Bonus), for the year ended 31st March, 2007 amounting to Rs. 66,305 million. The total outgo on dividend would be Rs. 76,430 million, including Rs. 10,125 million as dividend distribution tax. The dividend payout would thus be the highest-ever in the Company's history and also possibly the highest-ever amongst all Indian Corporates, Public or Private.

3. PRODUCTION & SALES

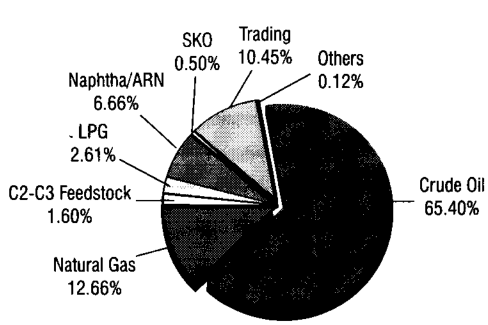
Highlights of production and sales of Crude Oil, Natural Gas and Value- Added Products (VAP):-

	Unit	Production		Sales		Value (Rs. in million)	
		2006-07	2005-06	**2006-07**	2005-06	**2006-07**	2005-06
DIRECT							
CRUDE OIL	(MMT)	***27.94**	*26.19	**24.42**	22.45	**372,212**	317,806
NATURAL GAS	(BCM)	****24.88**	**24.97	**20.30**	20.50	**72,078**	66,701
C2-C3 FEED STOCK	000 MT	**549**	535	**548**	535	**9,095**	7,401
LPG	000 MT	**1023**	1094	**1033**	1084	**14,866**	16,279
NAPHTHA/ARN	000 MT	**1450**	1557	**1442**	1578	**37,907**	35,679
SKO	000 MT	**155**	178	**156**	176	**2,827**	3,185
OTHERS						**654**	849
SUB TOTAL						**509,639**	447,900
TRADING							
MOTOR SPIRIT	000 KL			**121**	110	**4,530**	3,797
SKO	000 KL			**563**	432	**12,926**	7,420
HSD	000 KL			**1394**	874	**42,017**	23,171
SUB TOTAL						**59,473**	34,388
GRAND TOTAL						**569,112**	**482,288**

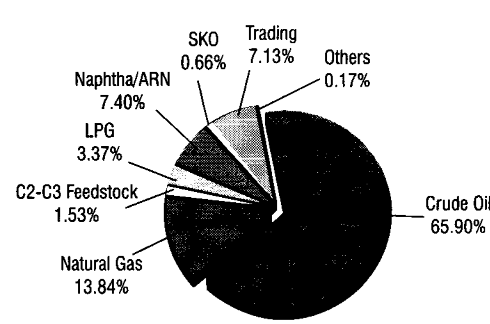
* includes 1.89 MMT (Previous year 1.78 MMT) from Joint Ventures.
**includes 2.44 BCM (Previous year 2.39 BCM) from Joint Ventures.

Product-wise Performance

2006-07



2005-06



4. OIL & GAS RESERVES

As a good governance practice, your Company has made voluntary disclosures in respect of Oil & Gas reserves confirming to Reserves Categorisation procedure as specified by the **Society of Petroleum Engineers (SPE classification 1994)** and in compliance with the **US Financial Accounting Standards Board (FASB)** statement no. 69 for disclosure of annual estimates of proven Oil & Gas reserves.

During the year, your Company has added 80.29 MMT of Ultimate Reserves (UR) of Oil & Oil Equivalent Gas (O+OEG) from its domestic plus overseas assets (OVL). The domestic accretion was 70.33 MMT of O+OEG; including ONGC's share in JVs.

Ultimate Reserve Accretion O+OEG in MMT

Year	Category	Domestic Assets	Domestic Jvs (ONGC's Share)	Total Domestic Reserves	Foreign Assets (OVL's Share)	Total
		1	2	3 (1+2)	4	5 (3+4)
2004-05	**1P**	24.20	14.00	38.20	3.98	42.18
	2P	29.61	14.61	44.22	9.62	53.84
	3P	49.40	14.61	64.01	10.44	74.45
2005-06	**1P**	13.77	0.12	13.89	15.52	29.41
	2P	19.14	0.12	19.26	12.30	31.56
	3P	51.53	0.12	51.65	16.72	68.37
2006-07*	**1P**	77.85	1.97	79.82	(4.55)	75.27
	2P	58.61	4.90	63.51	5.85	69.36
	3P	65.56	4.77	70.33	9.96	80.29

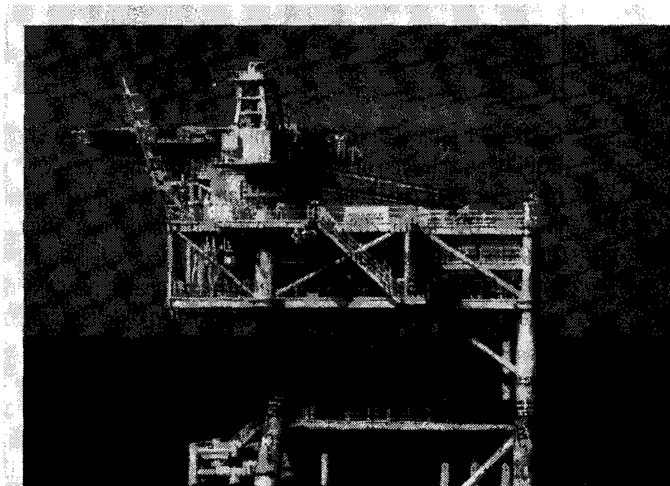
1P (Proved), 2P (Proved + Probable), 3P (Proved + Probable + Possible)

*1P includes up-gradation from Probable/Possible categories and deletion.

Statement of Reserve Recognition Accounting

1. The concept of RRA (Reserve Recognition Accounting) attempts to recognize income at the point of discovery of reserves, and seeks to demonstrate the intrinsic strength of an organization with reference to its future earning capacity in terms of current prices for income as well as expenditure. This information is based on the estimated net proved reserves (developed and undeveloped) as determined by the Reserves Estimates Committee (REC).

2. As per FASB-69 on disclosure about oil and gas producing activities, publicly-traded enterprises that have significant oil and gas producing activities are required to disclose with complete set of annual financial statements, the following information, considered to be supplemental information:
   a) Proved oil and gas reserve quantities;
   b) Capitalised costs relating to oil and gas producing activities;
   c) Cost incurred for property acquisition, exploration and development activities;
   d) Results of operations for oil and gas producing activities;
   e) A standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities.



ONGC completed four offshore engineering projects well before schedule, strengthening its revenue streams.

3. Your Company has disclosed information in respect of (a) to (d) above in the Annual Financial Statements. In respect of item (e) above, the Company has made voluntary disclosures on standardised measures of discounted future net cash flows relating to proved oil and gas reserves at **Annexure-B.**

5. FINANCIAL ACCOUNTING

The Financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) and in compliance with all applicable Accounting Standards (AS-1 to AS-29) and Successful Efforts Method as per the Guidance Note on Accounting for Oil & Gas Producing Activities issued by The Institute of Chartered Accountants of India (ICAI) and provisions of the Companies Act, 1956.

6. INTERNAL CONTROL SYSTEM

The Company has well established and efficient internal control systems and procedures. Your Company has already implemented SAP-R3 system for integration of various business processes across the organisation. The Company also has well defined financial powers of various executives in its Book of Delegated Powers (BDP).

The Company has in-house Internal Audit Department commensurate with its size. Audit observations are periodically reviewed by the Audit & Ethics Committee of the Board and necessary directions are issued wherever required.

You may be pleased to know that your Company is the **first Public Sector Undertaking (PSU) to get ISO 9001 certification for its Internal Audit functions.** This achievement is a testimony of the continual efforts taken by your Company to maintain leadership in Good Corporate Governance Practices.

7. SUBSIDIARIES

(i) ONGC Videsh Limited (OVL)

MD, OVL R S Butola (right) entering into a financial backup arrangement with parent ONGC

ONGC Videsh Limited (OVL), the wholly-owned subsidiary of your Company for overseas E&P activities, registered significant growth in 2006-07. Since April 2006, OVL has acquired stakes in 9 projects in 6 countries, out of which 6 projects were acquired through participation in bidding rounds and 3 from the existing concession holders. Out of the acquired projects, Mansarovar Energy project in Colmbia acquired in partnership with Sinopec, China, is under production, Block BC-10 in Brazil is under development and Area 43 in deepwater Libya; Blocks 127 and 128 in deepwater Vietnam; Blocks 25, 26, 27, 28, 29 and 36; Blocks 34 and 35 in deepwater Cuba and OPL 279 and OPL 285 in deepwater Nigeria acquired in the name of Joint Venture Company ONGC Mittal Energy Limited (OMEL) are under exploration.

Sakhalin-1 project in Russia commenced export of crude oil from September, 2006 and peak production of over 2,50,000 BOPD was achieved in March, 2007 by the consortium with OVL's share of 50,000 BOPD during the peak production. Crude oil production from Block 5A in Sudan commenced in May, 2006. Further, the consortium of Blocks A-1 and A-3 in Myanmar in which OVL holds 20% share, made gas discoveries. The consortium of North Ramadan Block in Egypt, in which OVL holds 70% share, made oil discovery. OVL also successfully completed drilling of four wells including a high pressure complex gas well in Farsi Offshore Block in Iran. The campaign resulted in discovery of oil and gas, the assessment of which is currently under progress. This success has established OVL as a credible global E&P operator.

OVL currently participates in 26 E&P projects in 15 countries namely Vietnam (3 projects), Russia (1 project), Sudan (3 projects), Iran (1 project), Iraq (1 project), Libya (4 projects), Myanmar (2 projects), Syria (2 projects), Qatar (1 project), Egypt (1 project), Cuba (2 projects), Nigeria Sao Tome Principe JDZ (1 project), Brazil (1 project), Nigeria (2 projects) through its joint venture Company, ONGC Mittal Energy Limited (OMEL) and Colmbia (1 project). Out of the existing 26 projects, OVL is Operator in 10 projects and Joint Operator in 2 projects in 9 countries. OVL is currently producing oil and gas from Greater Nile Oil Project and Block 5A in Sudan, Block 06.1 in Vietnam, Al Furat project in Syria, Sakhalin-I project in Russia and Mansarovar Energy Project in Colmbia. The Block BC-10 in Brazil is currently under development with production expected to begin in 2009-10. The remaining projects are in exploration/appraisal phase.

OVL's share in production of oil and oil-equivalent gas (O+OEG), together with its wholly-owned subsidiaries ONGC Nile Ganga B.V. and ONGC Amazon Alaknanda Limited, increased to 7.952 MMT, up 25%. OVL registered sales turnover of Rs. 119,010 million and Net Profit of Rs. 16,633 million, up by 46% and 85% respectively.

During the year, OVL increased its Authorised and Paid-up capital from Rs. 5,000 million and Rs.3,000 million respectively to Rs. 10,000 million.

Subsidiaries of OVL

a) ONGC Nile Ganga B. V. (ONG B. V.)

ONGC Nile Ganga B. V. (ONG B. V.), a wholly-owned subsidiary of OVL, is engaged in E&P activities in Sudan, Syria and Brazil. ONG B. V. holds 25% Participating Interest (PI) in Greater Nile Oil Project (GNOP), Sudan; the other partners in this project are China National Petroleum Corporation (with 40% PI), Petronas Carigali Overseas Sdn Berhad, a subsidiary of the Malaysian National Oil Company, Petronas (with 30% PI) and Sudapet, the National Oil Company of Sudan (with 5% PI). ONG B. V.'s share in oil production from GNOP was 3.157 MMT during 2006-07. Besides, ONG B. V. also holds PI in AFPC Syrian Assets and deepwater offshore Block BC-10 in Brazil.

b) ONGC Narmada Limited (ONL)

ONGC Narmada Limited (ONL), a wholly-owned subsidiary of OVL is engaged in E&P activities in Nigeria. ONL holds 13.5% PI in deep water exploration Block-2 in Nigeria-São Tomé & Principe, Joint Development Zone (JDZ). The other partners in the Block inter-alia include Sinopec (with 28.67% PI), Addex Petroleum (with 14.33% PI), ERHC Energy Inc. (with 22% PI), Equator Exploration (with 9% PI), Amber (with 5% PI), Foby (with 5% PI) and A & Hatman (with 2.5% PI), with Sinopec as the operator.

c) ONGC Amazon Alaknanda Limited (OAAL)

ONGC Amazon Alaknanda Limited (OAAL), a wholly-owned subsidiary of OVL incorporated on 8th August, 2006 in Bermuda, is engaged in E&P activities and holds stake in E&P projects in Columbia, through Mansarovar Energy Columbia Limited (MECL), a 50:50 JV Company with Sinopec of China. MECL is currently producing oil @ 20,000 bbls/d. During 2006-07, OVL's share of production was about 0.297 MMT of oil.

Joint Venture of OVL

d) ONGC Mittal Energy Limited (OMEL)

OVL along with Mittal Investments Sarl (MIS) promoted ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated in Cyprus. OVL and MIS hold 50% shares of OMEL currently. However, the ultimate shareholding of OMEL is proposed to be in the ratio of 51 (OVL): 49 (MIS) of 98% as between the promoters with 2% shares to be held by a financial institution. OMELholds PI in the AFPC Syrian Assets through ONG B.V. Further, OMEL holds stake in two exploration Blocks namely OPL 279 and OPL 285 in Nigeria.

(ii) Mangalore Refinery & Petrochemicals Limited (MRPL)

Your Company continues to hold 71.62% equity stake in MRPL. MRPL has reached new heights of excellence in operational performance during the Year:

- Highest-ever Crude thruput at 12.54 MMT (up 3%);
- Highest-ever Capacity Utilization at 129%(up 4%) - **Highest among all Indian Refineries;**
- Highest-ever Turnover of Rs. 323,769 million (up 15%);
- Net Profit of Rs. 5,255 million (up 41%);
- Highest-ever Direct Marketing Sales of Rs.19,080 million (up 35%);
- Highest-ever 1,208 Accident Free Working days without reportable lost time injury (as on 31st March, 2007).

During the year, MRPL commissioned an Isomerisation Project, for producing Motor Sprit of Euro III/IV quality and Mixed-Xylene project, for producing value added Mixed-Xylene.

MD, MRPL R Rajamani (middle) seen with Mauritian Minister Dr. Rajesh Jeetah (extreme left) and Indian Petroleum Minister Murli Deora (extreme right), after the agreement with STC, Mauritius to supply Petroleum products for 3 years.

MRPL is implementing a Refinery Upgradation-cum-Expansion project to increase the capacity from 9.69 MMTPA to 15 MMTPA, with an estimated investment of Rs.79,430 million. The project is expected to be completed by the Financial Year 2010-11.

The Board of Directors of MRPL has recommended a dividend of 8% for the year 2006-07.

Joint Ventures of MRPL

i. Kakinada Refinery & Petrochemicals Ltd. (KRPL)

The financial appraisal report submitted by SBI Capital Market for the Kakinada Refinery, indicated that 7.5 MMTPA Refinery Project was not financially viable. However, keeping in view the long-term scenario in which, the petroleum consumption in the country is expected to go up, as brought out in the Market Study conducted by Nexant. A preliminary in-house assessment was taken up, which indicated that the project could be viable, if the capacity is enhanced to 15 MMTPA. KRPL has therefore engaged EIL for conducting Techno Economic Feasibility Study for setting up 15 MMTPA Refinery at Kakinada. MRPL has 46% equity in the Joint Venture Company and balance equity is held by IL&FS and KSPL (51%) and APIIC (3%).

ii. Kakinada SEZ Ltd. (KSEZ)

Kakinada SEZ Ltd. (KSEZ) was incorporated on 30th January, 2006 with an equity participation of 26% by MRPL, 26% by IL&FS, 45% by KSPL and 3% by APIIC.

KSEZ has been notified as SEZ by the Government of India on 23rd April, 2007.

8. EXEMPTION IN RESPECT OF ANNUAL REPORT OF SUBSIDIARIES

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copy of the Balance Sheets, Profit and Loss Accounts, Reports of the Board of Directors and Reports of the Auditors of the Subsidiary Companies have not been attached to the Accounts of the Company. The Company will make these documents/ details available upon request by any member of the Company interested in obtaining the same. Annual Reports of MRPL & OVL are available on website www.mrpl.co.in & www.ongcvidesh.com respectively. However, pursuant to Accounting Standard (AS-21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its subsidiaries.

9. (a) JOINT VENTURES/ ASSOCIATES

(i) Petronet LNG Ltd. (PLL)

Your Company has 12.5% equity stake in PLL. The Dahej Terminal is operating at its optimum capacity and is currently meeting 25% of India's total gas supplies. The Company has started expansion of Dahej terminal to 10 MMTPA and also setting up LNG Receiving and Re-gasification Terminal of 5 MMTPA at Kochi. The turnover of PLL during 2006-07 is Rs. 55,089.5 million, profit before tax is Rs. 4,755.7 million and profit after tax is Rs. 3,132.5 million, respectively. PLL has paid a dividend of 12.5%.

MD, PHHL R K Tyagi (extreme right) handing over dividend cheque to CMD, ONGC R S Sharma. (From left) Director (T&FS) U N Bose, Director (Onshore) A K Hazarika and Director (HR) Dr. A K Balyan applaud.

(ii) ONGC Tripura Power Company Pvt. Ltd. (OTPC)

ONGC is setting up a mega 740 MW (2x370 MW) gas based Combined Cycle Power Plant (CCPP) at Palatana in Tripura to monetize its idle gas resources in Tripura state along with a 400 KV Transmission line uplinking the Power Plant with PGCIL Grid at Bongaigaon. The estimated cost of the integrated Project is Rs. 38,440 million.

(iii) Pawan Hans Helicopters Ltd. (PHHL)

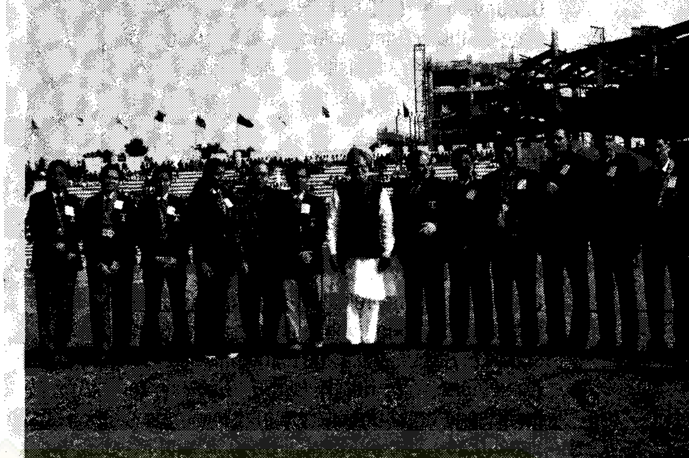
Your Company has 21.5% equity in PHHL, which provides helicopter services primarily to your Company. PHHL is the only helicopter operator with ISO 9001:2000 certification in Asia for its entire gamut of business activities. PHHL earned a net profit of Rs. 473.86 million during 2005-06 and provisional net profit for the financial year 2006-07 is Rs. 490.00 million.

(iv) Petronet MHB Ltd. (PMHBL)

Your Company holds 23% equity stake in this product pipeline Company linking MRPL to Bangalore. PMHBL is incurring losses due to low capacity utilization and sub-optimal financial structure. Accordingly, your Company has made an upfront payment of Rs. 2,276 million as per corporate debt restructuring package and the Master Restructuring Agreement (MRA) has been signed with the Bankers on 25th January, 2007.

(v) ONGC Petro-additions Ltd. (OPaL)

A grass root integrated petrochemical complex at an estimated investment of Rs. 135,400 million has been approved for implementation jointly by ONGC & GSPC holding 26% & 5% equity respectively, with balance equity to be tied with strategic investors and public offering .



The sports persons of ONGC, who brought 8 of the 10 Golds India got in Doha Asiad, seen with Prime Minister Dr. Manmohan Singh, Petroleum Minister Murli Deora and CMD R S Sharma

(vi) Dahej SEZ Ltd. (DSL)

Dahej Special Economic Zone Ltd. (DSL) has been promoted by ONGC (23%) and Gujarat Industrial Development Corporation GIDC (26%) to develop a multi-product SEZ at Dahej in coastal Gujarat. Ministry of Commerce & Industry (MoCI), Government of India, has approved development of this SEZ over 1,717 hectares of land.

(vii) Mangalore SEZ Ltd. (MSL)

ONGC has taken up development of a multi-product SEZ in the vicinity of MRPL Refinery in coastal Mangalore through a SPV "Mangalore SEZ Limited (MSEZ)" in which it holds 26% equity share. The other partners being Karnataka Industrial Area Development Board (KIADB) with 23% equity share. Kanara Chambers of Commerce & Industry (KCCI) and Infrastructure Leasing & Financial Services Limited (IL&FS) has balance 51% share. ONGC envisages locating its upcoming Aromatics Complex, and other LNG based projects within this SEZ.

(viii) ONGC Mittal Energy Services Ltd. (OMESL)

OMSEL, a Joint Venture Company promoted by ONGC and Mittal Investments Sarl, is registered in Cyprus and intends to focus on trading and shipping of Oil and Gas (including LNG).

(ix) ONGC Mangalore Petrochemicals Ltd. (OMPL)

ONGC has taken up implementation of an Aromatics Complex for manufacturing Paraxylene from MRPL's Aromatic Stream through a SPV, "ONGC Mangalore Petrochemicals Limited (OMPL)" with 46% equity participation, 3% by MRPL and the balance 51% by Banks and Financial Institutions. OMPL has been incorporated on 19th December, 2006. Total estimated investment in the Project is proposed to be Rs. 48,520 million.

(x) ONGC TERI Biotech Ltd. (OTBL)

ONGC formed a Joint Venture in association with **The Energy Research Institute (TERI)** for addressing the requirements of Bioremediation, Microbial Enhanced Oil Recovery and Prevention of Wax Deposition in tubular for its E&P operations. The JV has been incorporated on 26th March, 2007.

9. (b) OTHER BUSINESS INITIATIVES

Your Company is aggressively pursuing business opportunities in India and abroad for achieving organizational goals. In this regard, your Company has been looking for new business growth options, growth through collaborations, strategic alliances with industry leaders and strategic corporate having niche strength. Some of the significant business initiatives and details of Memorandum of Understandings (MoUs) / Heads of Agreement (HoA), which your Company entered into during 2006-07, are detailed as below:

a. Heads of Agreement (HoA) with **Petroleo Brasileiro S.A. (Petrobras)** for swapping of interests in offshore blocks in India and Brazil.

b. Two parallel Co-operation Agreements with **ENI, Italy** for swap of participating interests in exploration blocks located in India and Congo Brazzaville. Through the first agreement, ENI acquires 34% participating interest in the deepwater block MN-DWN-2002/1. Through the second agreement, ONGC Videsh Ltd. (OVL) has acquired from ENI 20% participating interest in the MTPN exploration block, operated by ENI in the deepwater offshore of Congo Brazzaville.

c. Protocol agreement with **Gazprom, Russia** for expanding the mutual co-operation in Hydrocarbon and Power sector.

d. MoU with **Compagnie Generale De Geophysique (CGG) of France** to source the state-of-the-art technology in the fields of seismic data acquisition, processing and interpretation with respect to latest Eye-D Technology.

e. MoU with **TGT, Russia** for increasing the production of ONGC's matured fields.

f. MoU with **Rosneft, Russia** for joint study of the possibilities for mutual projects in exploration, production and marketing as well as other projects related to the hydrocarbon industry, including joint bidding for oil and gas stakes in Russia, India and third countries.

Director (Exploration) D K Pande (extreme left) and Director (Offshore) N K Mitra exchange documents with senior executives of Norsk Hydro (right)

g. Agreement with **Norsk Hydro, Norway** for knowledge and competence transfer in the area of offshore exploration, development and operations, development of Vasai (East) field in Mumbai Offshore and KG-98/2 block. The agreement also provides Norsk Hydro the opportunity to participate in NELP Blocks.

h. MoU with **SINTEF** - SINTEF will be assisting ONGC to establish the Marine Environment Technology Laboratories at IPSHEM. SINTEF will also be establishing Fire Laboratories at IPSHEM.

i. MoU with **Norwegian University of Science and Technology (NTNU)** for 4D study of Balol and Vasai East field. Balol has been completed and LOS has been placed for Vasai East.

j. MoU with **Singareni Collieries Company Limited (SCCL)** for co-operation in Underground Coal Gasification (UCG), Surface Coal Gasification (SCG) and Coal Bed Methane (CBM) exploration.

Other Projects

1. C2-C3 Extraction Plant

A C2-C3 Extraction Plant, using LNG from Petronet LNG Limited (PLL) as feedstock is under implementation within Dahej SEZ at an estimated cost of Rs. 6,700 million.

2. Wind Energy Project

Your Company is in the process of setting up of a 50MW Wind Energy project in Gujarat.

3. Rajasthan Crude

In September, 2005, Government of India nominated MRPL to purchase the entire crude oil to be produced from various oil blocks in Rajasthan. Setting up a refinery for this crude oil will largely depend on the availability of crude oil from Rajasthan blocks at a reasonable price as well as adequate fiscal incentives from the State Government, so as to ensure economic viability of the project. Agreements with M/s Cairn India Ltd., and Government of Rajasthan are expected to be finalised soon.

10. CARING FOR QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

Safety & Environment Performance is integral to your Company's Business. Your Company is globally the only major listed Company to have all its operational facilities and rigs, onshore as well as offshore, Certified for Health, Safety and Environment Management (HSE) under relevant International and National codes, certified through independent verifications.

Clean Development Mechanism (CDM)

Your Company has taken structured initiatives to positively contribute towards the cause of mitigating climate change. The Company is the first Central PSE in India to have two of its CDM Projects registered with UNFCCC. The first CDM project "Waste Heat Recovery, using the recovered heat for Heating Oil" at MS platform in Mumbai High was registered with UNFCCC on 5th February,

2007 and the second CDM Project, "Hazira Unit's Up-Gradation of Gas Turbine-1 (GT-1) and Gas Turbine-2 (GT-2) at the co-generation plant" was registered with UNFCCC on 1st March, 2007. In addition, 11 more CDM projects of your Company have been identified for registration.

11. HUMAN RESOURCE

i. Employee Welfare

Your Company continues to maintain its leadership position as a valuable employer offering impressive welfare benefits to the employees and their dependants by way of comprehensive medical care, education, housing, soft loans, post retirement benefits and other social security measures. These measures along with other focused HR intervention have helped to develop a congenial environment and a high performance work culture in the Company.

ii. Welfare Policies

Your Company continues to align its welfare policies, with the industry best practices in keeping with the demands of the liberalised economy and business environment. During the year, your Company has evolved and implemented ninety two fresh policy initiatives for its Human Resource. Some of the major welfare policy initiatives are:

- Policy on communication/ laptop for IT enabled access to a wider spectrum of executive employees;
- Accident/ disability leave on full pay;
- Revision of Composite Social Security Scheme for enhanced Benefits;
- Gold Medallion and Golden Jubilee Incentive on the occasion of completing 50 years of your Company;
- Revision of daily wage rates of Contingent/ Casual workers, to procure more equitable living wages.

ONGC became the first corporate in India to adopt Integrity Pact in its procurement practices. The picture captures a meeting with Transparency International, India.

iii. Voluntary Retirement Scheme (VRS)

During the year, 96 employees were relieved on Voluntary Retirement, 2006 under the Scheme which was open from 1st April, 2006 to 31st May, 2006.

iv. Your Company has set up four employee welfare trusts which regulate and manage all benefits accruing to existing/ex-employees:

a) ONGC Employees Contributory Provident Fund (ECPF) Trust

The ECPF Trust manages the Provident Fund accounts of your Company's employees. The Trust settled 2,291 cases of Final withdrawal and 1,084 cases for Non-refundable advances during 2006-07.

b) Post Retirement Benefit Scheme (PRBS) Trust

The PRBS Trust endeavours to provide financial security to superannuating employees. The Trust discharged its responsibilities in an efficient manner, seeking to maximise the returns in the context of falling interest rates and incremental annuity pricing. Revitalising the Trust through innovative financial restructuring by Management has received wide appreciation and acceptance.

c) Composite Social Security Scheme (CSSS) Trust

The Composite Social Security Scheme (CSSS) formulated by your Company provides an assured ex-gratia payment in the event of unfortunate death/ permanent disability of an employee in service. There has been a substantial upward revision of financial assistance under CSSS in case of death w.e.f. 1st June, 2003. During the year Rs. 343.5 million were disbursed as benefits to 356 bereaved families.

d) Sahayog Trust

Your Company has set up "ONGC Sahayog Trust" to alleviate the hardship to personnel or their dependants in case of disability or death in-harness. The trust has mainly been created for welfare of secondary workforce / their heirs, who are in financial distress. 10 beneficiaries were supported by a total assistance of Rs. 0.72 million during the year 2006-07 under this Scheme.

Your Company operationalised all its Welfare Trusts on the SAP Platform during 2006-07. Investments, accounts settlement, contribution etc. of all the Trusts are now being dealt by a single integrated system in your Company. All Employee Trust Statements can now be viewed on the system by each employee. Employee accounts are being maintained on the new system, duly reconciled and updated on a monthly basis.

v. Employees Pension Scheme (EPS-1995)

During the year, your Company implemented Employees Pension Scheme (EPS-1995) retrospectively w.e.f. 16th November, 1995. Backlog and current compliance in respect of eligible existing and separated employees, who have been maintaining PF balances, was completed during the year. A total amount of Rs. 2,922.7 million has been remitted to Employee Provident Fund Organisation as contribution in respect of all eligible employees.

vi. Reservation Policy on SC/ST

Your Company has an unblemished record of compliance with Government guidelines, on reservations and is seen as a role model in the industry. The percentage of SC/ST employees, as on 31st March, 2007 was:

SC - 15.8 %
ST - 8.2 %

During the year, specially focused programmes for the development of SC/ST Communities were undertaken and a sum of Rs.12.5 million was spent for Welfare of the SC/ST Communities.

12. INDUSTRIAL RELATIONS

During the year, harmonious Industrial Relations were maintained in the Company and no man days were lost due to internal factors.

13. GRIEVANCE MANAGEMENT SYSTEM

Your Company provides an easily accessable grievance redressal mechanism to its employees, both through informal channel (open hearing) and formal channels.

- **Public Grievance Management System**

  All key executives of your Company are sensitised to the need to attend to the grievances of the Public representatives and other aggrieved VIPs during publicised time slots, thrice every week, in order to speedily redress their grievances.

ONGC Golden Museum in Dehradun. It demonstrates various unique features of Oil & Gas industry

14. MEDICAL SERVICES

Your Company has a comprehensive health scheme to achieve a state of Positive Health for its employees. Nearly 2.30 lac beneficiaries including serving employees, retired employees, CISF and KV employees are availing medical facilities.

Some of the major healthcare policies implemented during 2006-07 are:

- Extension of Medical facilities to the dependents of employees, who die while in service;
- Standardisation of Periodical Medical Examination of employees;
- Policy on High Cost Medical Treatment;
- Role out of 'Dhanvantari', an online medical database, across ONGC.

15. VIGILANCE

The focus of the vigilance activities was to sensitise the employees towards transparent, ethical and professional approach towards their jobs and assignments. A number of training programmes were conducted periodically as a part of preventive, educative and punitive vigilance functions.

16. OFFICIAL LANGUAGE

During the year, a series of initiatives were undertaken for promotion and propagation of Rajbhasha.

Symposia and seminars etc. were organised in Hindi to celebrate ONGC's Golden Jubilee Year. A series of translation courses were conducted with the help of Central Translation Bureau, Govt. of India. Hindi literary work by prominent littérateurs were encouraged through financial assistance. All fresh inductees at the executive level were exposed to the Official Language Policy of Govt. of India.

17. HUMAN RESOURCE ACCOUNTING

The organisational knowledge in your Company is the sum total of information and experience in the minds of our people, as well as the cumulative knowledge in the organisational systems. This is a priceless asset, and therefore, beyond the mechanics of accounting.

There are, however, methods to measure the potential ability of all employees across the ranks, to produce value out of their knowledge and skills. The standard "Lev and Schwartz" model equates the anticipated future earnings as the surrogate of the "value" of an employee. This model has been used with the following assumptions:

- the employee continues at the same position till superannuation;
- all direct and indirect employee costs are considered with escalations limited to Corporate compensation practice, and general economic conditions;
- NPV for the remaining years of service is calculated by applying a discounting factor of 8%;
- The Valuation has been worked out for regular employees covering Technical and Non-Technical categories.

Based on these assumptions, your Company's Human Resource has been valued at Rs. 285,120.4 million as on 31st March, 2007. Details are at **Annexure-D**. These are unaudited figures.

18. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a responsible Corporate, your Company has constantly endeavoured to contribute to the development and upliftment of the social strata around its area of operation. Our CSR efforts focus on education, particularly IT, healthcare, entrepreneurship, water management and disaster relief. During the year, your Company has undertaken various CSR projects, the notable amongst them are:

(i) Generous support in the field of education particularly for women e.g. financial support to B.S. Negi Mahila Pravidhik Prashikshan Sansthan, Dehradun for the technical education of women; and support to the Himalayan School Society for the benefit of the underprivileged girl students of Uttarakhand.

(ii) Healthcare has remained a priority with notable projects being support to the Uttaranchal Forest Hospital Trust, Haldwani and Silchar Hospital. Support for a Mobile Cancer Detection Unit for North East has been extended for an early diagnosis of the more prevalent disease in that part of the country.

(iii) Under Entrepreneurship category, financial support was extended for motorized tricycles to orthopaedically handicapped for their mainstreaming through Rajiv Gandhi Foundation. Another project "Yuva Samridhi" was launched in the district of Sivasagar, Assam, for promotion of self-help groups for creation of self-employment opportunities.

Director (HR) Dr. A K Balyan donates a mobile van to a NGO 'Lifeline Foundation'

(iv) Towards **Water Management**, a corporate initiative termed 'Project Saraswati' was launched in the year 2005 to locate fresh water unexploited ground water resources in drought prone areas, which gave encouraging results and the first well Saraswati-I, 6 kilometer away from Jaisalmer Town was drilled up to 500 metres. A huge reservoir of usable water was located. Further tests are under way for the expansion of this project.

(v) **ONGCpura:** Under this project, during the year, an NGO was supported to undertake self employment generation activities in Tripura. 10 sewing machines were also provided for training of women under ONGCpura to kickstart their entrepreneurial trait.

(vi) **Rajiv Gandhi Institute of Petroleum Technology (RGIPT)**

Your Company is extending full support for setting up a state-of-the-art RGIPT (Deemed University) at Rai Bareilly, Uttar Pradesh. The Institute is planned to commence curriculum from 2008-09. Your Company has initially contributed Rs. 290 million, out of an agreed contribution of Rs. 1,450 million.

19. RIGHT TO INFORMATION

With the objective to ensure every citizen's access to information under the control of Company consistent with the public interest, in order to promote openness, transparency and accountability, an appropriate mechanism has been set up across the Company in line with the Right to Information Act, 2005.

20. WOMEN EMPOWERMENT

Women employees constitute about 5% of ONGC's workforce. Various programmes for empowerment and development, including programme on gender sensitization were organized at IIM Ahmedabad through Women Development Fora. A Gender Budgeting Cell has been set up in your Company with the object of promoting gender equity and to ensure that the development needs of women are adequately addressed through proper budgetary allocations.

21. HUMAN RESOURCE DEVELOPMENT

Your Company believes that Skill Development is a vital component for Human Resource Development. It's a continuous process with training serving as an interface in the assimilation of knowledge and skills. With a mission to promote a non-dogmatic learning environment for skill development of its executives, ONGC Academy and the Regional Training Institutes (RTIs) continuously work to bring together the best facilities and faculty from India and abroad to bridge the skills and knowledge gaps specific to E&P sector. The year 2006-07 saw recognition of the initiatives of your Company towards proactive skill development of its employees by the Institute of Directors which conferred your Company with the **'Golden Peacock National Training Award 2006'**.

During the year, ONGC Academy conducted 203 training programmes for 5,688 executives (109,621 training days). The Regional Training Institutes conducted 397 training programmes for 5,622 non-executives. Some of the significant initiatives towards training and development are:

- Your Company is the first Company in the Oil Industry to introduce an Accreditation course on 'Major Emergency Management' (MEM) by RGIT Montrose, UK for Offshore Installation Managers (OIMs).
- Your Company also entered into a Certification training programme on "Project Management" of PMI, USA through the registered education provider of Project Management Institute (PMI).

Directors of ONGC Group celebrating Golden Jubilee with employees

- **Unnati Prayas Scheme:** As an initiative to upgrade the technical qualification of its executives, your Company, in partnership with Punjab Technical University, Jallandhar launched the B.Tech course under 2nd Batch of Unnati Prayas Scheme on 20th April, 2006. This time the scheme has been extended to the executives/ non executives of MRPL. A total of 79 participants are attending the programme. A diploma programme has been launched in September, 2006 with an additional stream in Electrical Engineering.
- **Super Unnati Prayas Scheme:** The second batch of 22 executives pursuing a customised MBA programme in international business is in progress at IIFT New Delhi. Another 11 executives are pursuing a consortium Executive Post Graduate Diploma in Business Management (EPGDBM) programme through MDI Gurgaon. The earlier batch of 16 ONGC executives who successfully completed their EPGDBM through MDI Gurgaon received their Diplomas at a convocation held on 6th March, 2007.

- **Executive Development Programme (Shanghsaptak):** This unique, innovative and exclusive orientation programme for below-the-Board level executives is being conducted at the Indian School of Business (ISB), Hyderabad. The uniqueness of the programme consists of three modules spread over 15 months, which includes classroom sessions, overseas learning component and project / assignments to be undertaken by the participants. The overseas learning component included internationalized training at Petronas (Malaysia), Trafigura (Singapore), British Petroleum (USA), Exxon Mobil (USA), Baker Hughes (USA) and University of Houston among others. The third batch for high potential senior executives completed this training successfully during the year.
- **Foreign Faculty E&P Programmes:** 24 E&P programmes on latest trends in emerging technologies were conducted by internationally renowned foreign faculties. These programmes were very well received by the participants.
- Your Company also forayed into Customizing trainings for foreign oil companies in pursuance of ONGC Videsh's overseas interests. The companies for which customisation has been done are GNPOC, Sudan, PDVSA Venezuela.

22. INFORMATION TECHNOLOGY

Your Company is taking big strides to leverage IT for seeking various business solutions and in the process develop an IT-enabled workplace using state-of-the-art hardware and software systems, which are being continuously updated and modernised to meet future applications.

The implementation of the Supervisory Control and Data Acquisition (SCADA) Project is going on full stream and will help in the integration of control at all work centres with the Board Room.

With the increasing use of System for Automated Management of Personnel Activities, Reimbursement and Claims (SAMPARC), a portal based employee self service system, your Company strives to take a step forward towards the goal of a paperless office.

A fully integrated Vessel and Air Traffic Management System is about to be commissioned at Western Offshore. This will help in surveillance and security of all Oil and Gas producing installations in Western Offshore.

It should please you to learn that your Company has a Computing Power close to 9 Tera Flops, with one of the best Executive-to-PC ratio of 1.35.

23. SPORTS

Your Company is well known for promotion of sports, games and other adventurous activities. More than 150 active Sportspersons have been employed in ONGC representing the Company in 16 games and sports including 2 Padma Shrees, 1 Khel Ratna and 8 Arjuna Awardees. As many as 98 International Sportspersons are on the rolls, including champions like Virender Sehwag (Cricket), K. Sasikiran, Koneru Humpy, Sandipan Chanda (Chess), Pankaj Advani, Alok Kumar (Billiards & Snooker), Jaspal Rana (Shooting), Chetan Anand, Rupesh Kumar (Badminton), Manpreet Singh (Kabaddi) and Tariff Ahmad (Football).


The Asiad Gold Medalists of ONGC with CMD R S Sharma and Directors

During the year, your Company sponsored the XI ONGC Cup National Football League. This is the third consecutive year for ONGC to sponsor this event, besides several other National / International tournaments in various games and sports.

ONGCians contributed 8 Gold medals qut of total 10 that were won by the Indian Contingent at Asian Games, Doha. In addition they won 3 Silver medals. Miss Koneru Humpy, who won two Golds in Chess, is also an Arjuna Award winner. Pankaj Advani, who is recipient of Rajiv Gandhi Khel Ratna Award, enhanced the number of Gold medals in Billiards. Jaspal Rana, a Padma Shree Awardee made the country proud with his 3 Gold medals in Shooting. K. Sasikiran, paired with Koneru Humpy to get India Gold in Mixed Chess Team event. Manpreet Singh broadened the smile of the countrymen with his team Gold in Kabaddi. The two ladies Chitra Suman and Mandeep Kaur brought in Gold medals in Athletics and Sweta Chaudhary got Silver for Shooting. Jaspal Rana, Bhupinder Singh and P. Shankar received Silver medals.

Your Company won the **Petroleum Minister's PSPB Trophy** for the fourth year in succession. In addition, the Company also received the coveted **PSPB Excellence Trophy**. ONGC also received **FICCI Awards for "Special Initiatives in the area of Sports"** and recognised as **"Best PSU in Sports"** by **All India Public Sector Sports Promotion Board (AIPSSB)**.

24. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

i. In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;

ii. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the profit of the Company for the year ended on that date;

iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv. The Directors have prepared the annual accounts of the Company on a "Going Concern" basis.

25. CORPORATE GOVERNANCE

A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement, together with Management Discussion and Analysis supported by a certificate from the Company's Auditors confirming compliance of conditions, forms part of this report.

In recognition of your Company's remarkable achievements in the area of Corporate Governance, the Institute of Directors (IOD), New Delhi has conferred the **'Golden Peacock Global Award for Excellence in Corporate Governance' for the year 2006** on your Company.

Chief Minister of Delhi Smt. Sheila Dixit handing over the Golden Peacock Award to ONGC's Executive Director B L Ghasolia and Company Secretary S C Setia

In addition, your Company was conferred the 'Amity Corporate Excellence Award', instituted by Amity International Business School for excellence in Corporate Governance.

Your Company, acknowledging its corporate responsibility, has voluntarily obtained a 'Secretarial Audit Report' for the financial year ended 31st March, 2007 from M/s A. N. Kukreja & Co., Company Secretaries in whole-time practice, which is annexed to this Report.

In line with global practices, your Company is committed to maintain the highest standards of Corporate Governance, reinforcing the relationship between the Company and its Shareholders. Further information required by investors is available on the Company's corporate website www.ongcindia.com. This website provides updates on financial statements, investor-related events and presentations, dividend information and shareholding pattern along with media releases, Company overview and report on Corporate Governance etc.

26. STATUTORY DISCLOSURES

i. None of the Directors of your Company is disqualified as per provision of Section 274(1)(g) of the Companies Act, 1956. Directors of the Company have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement. The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies

(Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended is enclosed as **Annexure-A**.

ii. The Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on 31st March, 2007.

iii. None of the employees of your Company is drawing remuneration exceeding the limits laid down under provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

27. CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on 'Consolidated Financial Statements' read with Accounting Standard AS-23 on 'Accounting for Investments in Associates' and Accounting Standard AS-27 on 'Financial Reporting of Interests in Joint Ventures', audited Consolidated Financial Statements for the year ended 31st March, 2007 of the Company and its subsidiaries, joint ventures and Associates form part of the Annual Report and Accounts.

28. AUDITORS

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India (C&AG). M/s K.K. Soni & Co., M/s S.C. Ajmera & Co., M/s PSD & Associates, M/s Padmanabhan Ramani & Ramanujam and M/s Singhi & Co. Chartered Accountants were appointed as joint Statutory Auditors for the financial year 2006-07. **There is no qualification in Statutory Auditors' Report**. The review and comments of the C&AG forms part of this report as **Annexure-C**.

Notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

Cost Audit

Pursuant to the direction of the Central Government for audit of cost accounts, the Company appointed Cost Accountants, for auditing the cost accounts of your Company for the year ending on 31st March, 2007, which is in progress.

29. DIRECTORS

Shri R. S. Sharma, Director (Finance) has been elevated to the position of Chairman and Managing Director (CMD) w.e.f 4th July, 2007. Prior to that Shri Sharma was holding additional charge of the post of CMD with effect from 25th May, 2006, upon completion of the tenure of Shri Subir Raha.

Shri M. M. Chitale, Shri U. Sundararajan and Shri Rajesh V. Shah ceased to be members of the Board w.e.f. 10th September, 2006.

Shri Anil Razdan and Shri Ashok Chawla, on elevation as Secretary, Power and Secretary, Civil Aviation, Govt. of India, respectively ceased to be Directors w.e.f. 8th March, 2007.

Shri A.K. Jain, Joint Secretary (E), MoP&NG was appointed as Govt. nominee Director, as an interim arrangement on 10th April, 2007 in place of Shri Anil Razdan, Special Secretary, MoP&NG. Shri S. Sundareshan, Addl. Secretary, MoP&NG and Smt. Sindhushree Khullar, Addl. Secretary, Department of Economic Affairs, MoF were appointed as Directors in place of Shri A. K. Jain and Shri Ashok Chawla, respectively w.e.f 10th May, 2007.

In terms of Clause 104 (a) of the Articles of Association, S/Shri S. Sundareshan, D. K. Pande, A. K. Hazarika and N. K. Mitra retire by rotation, and being eligible offer themselves for re-appointment at the ensuing AGM.

Brief resume of the Directors seeking re-appointment, together with the nature of their expertise in specific functional areas and names of the companies in which they hold the directorship and the membership/chairmanship of committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in notice convening the ensuing 14th Annual General Meeting of the Company, forming part of the Annual Report.

30. ACKNOWLEDGEMENT

Your Directors acknowledge with deep sense of appreciation, the support and guidance received from the Government of India, particularly the Ministry of Petroleum and Natural Gas; Ministry of Finance, Planning Commission, Department of Public Enterprises, Reserve Bank of India and State Governments.

Your Directors also convey their gratitude to the share-owners, banks and financial institutions and business partners for the confidence reposed by them in the Company. The Board also appreciates the contribution of contractors, vendors and consultants for their services and supplies.

The Directors wish to place on record its appreciation of significant contribution of value services rendered by S/Shri Anil Razdan, Ashok Chawla, M. M. Chitale, U. Sundararajan, Rajesh V. Shah and A. K. Jain during their directorship and the ONGCians in the remarkable performance and impressive results of your Company.

On behalf of the Board of Directors

New Delhi
14st August, 2007

(R.S. Sharma)
Chairman & Managing Director

ANNEXURE 'A'

A. *ENERGY CONSERVATION*

1. Energy Conservation Measures taken:

- Energy audit conducted by Petroleum Conservation Research Association (PCRA) completed for 212 installations.
- Executive Committee approval taken for fuel consumption norms for all models of engines & turbines on the basis of recommendations of PCRA.
- Fuel efficient 3512B Caterpillar Engines being installed.
- "Oil & Gas Conservation Fortnight-07" observed in ONGC.
- Energy efficient lights introduced in many work centers of ONGC.
- Solar water heaters installed at many work centers.
- Automatic power correction panel at GEOPIC installed.
- Top drives fitted on rigs to reduce overall drilling time.
- Fuel efficient KTA-50 P Emergency Generator Engines installed
- Gas flaring brought down to technical flaring level.
- Signing contract for sale of sour gas resulted in reduction of gas flaring.
- Training of 400 Executives of ONGC on Energy Conservation Technique is planned in the year 2007-08 onwards.

2. Energy conservation measures taken earlier which are contributing to Energy Saving:

- Load power factor maintained at 0.99 and above to conserve energy.
- Waste heat recovery at Platforms and Plants at Hazira & Uran.
- Use of energy efficient equipment, devices and turbo-expanders.
- Thermal energy cost reduction achieved by maintenance of steam traps at processing plants.
- Harnessed solar energy by using solar water heaters and use of photovoltaic panels.
- Use of surplus gas for power generation.
- Inter-fuel substitution and near optimum capacity utilization of equipments.

3. Impact of Measures on reduction of energy consumption and consequent impact on the cost of production of the goods.

- Above measures have resulted in reduction of significant quantity of Energy consumption (in terms of HSD, Natural gas and electricity demand) valuing about Rs. 154 crore during the financial year 2006-07.

B. RESEARCH & DEVELOPMENT

1. Specific areas in which R & D was carried out:

1.1. Geology & Geophysics

- [illegible] of seismic data attribute using available 3D seismic data for basement oil exploration.
- Innovative interpretation technique for identification and quantitative evaluation of low resistivity hydrocarbon bearing reservoirs.
- New diamondoid based parameters for accurate maturity estimation of source rocks.
- Geo-microbilogical studies for Gas hydrates exploration.
- New method for separation, isolation and quantification of microcrystalline waxes.
- Standardization of calcareous nannofossil bio-stratigraphy of Neogene sediments in KG Basin.
- Analysis of 85° E ridge gravity anomaly.
- Developed indigenous Microbial technology to improve oil production from stripper/low producing oil wells.
- Hybrid inversion of pre-stack seismic data with optimized source wavelet with collaboration of C-DAC, Pune.

1.2. Exploration- Coal Bed Methane

- Prioritized research and detailed evaluation on 'Low Rank' coalfields of India focusing Hutar and Auranga coalfields in terms of CBM resource.

1.3. Exploration- Gas Hydrate

- Carried out molecular and stable carbon isotopic compositional study of headspace, void and PCS gas samples from the gas hydrate containing cores.

- Carried out sedimentological, micropaleontological and geochemical studies to understand the processes, diagenetic changes, paleoecology its source & occurrences of gas hydrates.
- Initiatives and actions for Collaboration with National Research Center (NRC), Canada and USGS, USA for gas hydrate characterization and advice prior to, during and after coring/drilling programme under NGHP.

1.4. Production Technology

- Development of suitable formulation of Frac-Fluid for high temperature reservoirs.
- Development of emulsified acid formulation befitting reservoir condition up to 130 °C.
- Application of resin for channel repair jobs.
- Design of gel formulation with 254S Alcoflood Polymer for WSO jobs.
- Selection of suitable solvent for Neelam & Heera field along with dispersant based on SARA analysis.
- Developed In-situ Cross linking Acid Diversion Agent (ISCADA) technique for sand stone formation of Nawagam field of Ahmedabad asset.
- Linear flow studies on sand samples of Bechraji field of Mehsana Asset, Koraghat field of A & A A Basin and Kesavadasapalem, Pasarlapudi fields of Rajamundry Asset.
- Continuous research on various possibilities of adding value to the products and resources like gas and condensates, especially in VAP producing plants.
- An indigenous technology 'Micro aerophillic bacterial consortium PDS-10' developed for paraffin degradation job.

1.5. Drilling Technology

- Non-damaging drilling fluid systems for different pressure and temperature regimes.
- Development of Chrome free drilling fluids.
- Design of K2SO4-PHPA-KOH drilling fluid system as an alternative to KCl-PHPA.
- Development of new methodology of applying Portland cement to enhance the set cement properties.
- Design of cement slurry for competent side-track cement plug at deeper depths.

1.6. Technology-Structural Engineering & Material of Construction

- Dynamic analysis of deep water risers under OIDB funding.
- Structural Integrity for WN-1 and WN-2 platforms in Neelam Field.
- Determination of displacement and stress analysis of IJ, BA, NP, EB &HC for underwater wet welding project.
- Development of guidelines for internal corrosion monitoring of pipelines through weight loss coupons and LPR/ER probes.
- Evaluation of corrosion protection methods being adopted in Mumbai Region for sub sea pipelines and research for finding better methodology thereof.
- Issues of microbial induced corrosion (MIC) in oil & gas pipelines and equipments.

2. Benefits derived as a result of the R&D projects

2.1. Geology & Geophysics

- 3D seismic attributes studies helped in identifying areas favorable for oil accumulation in basement reservoir in Mumbai High and Heera fields in Western Offshore.
- *A number of oil bearing low resistivity payzones have been identified in Changmaigaon, Mekeypore and Geleki North Assam* shelf fields.
- Nine diamondoid based maturity parameters were successfully used for maturity estimation.
- International expertise developed in the area of microbial profiling of gas hydrate wells through participation in drilling/coring of gas hydrate test wells in Indian offshore under the aegis of NGHP.
- The ability to characterize high molecular weight hydrocarbons(waxes) can provide additional geochemical information for oil-oil and oil-source correlations.
- Sedimentary nature of 85° E ridge has been brought out which improves the prospectivity and has opened up a new exploration avenue.
- Microbiological technique helps in releasing and mobilizing oil from reservoir. IRS, Ahemdabad has been granted Indian Patent for the technique along with TERI, New Delhi.
- *Comprehensive understanding of the CBM prospects of Indian Gondwana basins. Such evaluations will provide pre-bid* intelligence for CBM acreages likely to be offered in future.
- A thick zone (130m) of gas hydrate has been encountered in KG Basin (site 10B, in GD area).

2.2 Production

- Value addition researches have resulted in producing ATF from condensate at Hazira, unique plant in the country in doing so. Uran plant has successfully implemented recovery of 1st stage EPRU liquid into LEF column of LPG plant and further processing of LPG to produce propane is recommended for implementation at a capital cost of Rs. 27.5 crores.
- Emulsified acid formulation befitting reservoir condition developed by IOGPT has been implemented in 10 wells in Heera field and 01 well in Mumbai High North on trial basis. Oil gain of about 60 bopd/well.
- Application of IPT-R-1 as a cross-linked bio-polymer gel system for limiting water production in 03 wells of Ankleshwar field. Oil gain 22-30 Bopd/well.
- Application of resin for channel repair jobs in North Kadi and Geleki fields.
- Application of gel formulation with 254S Alcoflood Polymer for WSO jobs in PDO Oman.
- Application of high Temperature Frac fluid formulation in Hydrofracturing jobs in Ratnagiri and GS-3A sands of Gandhar fields.
- Application of IPT-R-1 as a cross-linked bio-polymer gel system for limiting water production in high water cut wells of sandstone reservoirs and Commercial application in Petroleum Development Oman (PDO).

2.3. Drilling

- Faster well completion at lesser cost.
- Minimizing formation damage and enhancement in hydrocarbon production.
- Development in cementing and slurry technology has helped in better completion of wells for sustained production throughout the producing life.
- Shale stabilization, eco-friendly thinner devoid of chromium ions and Biodegradable fluids helping to maintain a greener environment.

2.4. Technology-Others

- Phase-I (Process Development) of the basic R&D Project "Development of anti-corrosive Electroless-Nickel Phosphorous (ENP) coating" being carried out in collaboration with "School of Energy Studies, Jadavpur University, Kolkata" has been successfully completed. A patent has been filed vide application no. 28/KOL/2007 dated 09.01.2007 on "A technology for anticorrosive coating" as part of the project based on the outcome of the completed phase-I.
- IEOT has filed a patent on "non-carcinogenic corrosion mitigation inhibitor to prevent corrosion of carbon steel in down hole well tubing and well casing in oil & gas wells" at the Mumbai Patent Office vide application no. 58/MUM/2007 dated 12.01.2007. Object of the invention is to find a substitute for Sodium Dichromate as a corrosion inhibitor for tubing and casing of oil & gas wells as it falls under Group I - known human Carcinogen.
- Power generation using turbo-expander is recommended for implementation at ADB-GCS with certain modifications in the existing GCS at a total capital cost of Rs.12.65 crores.
- Metallurgy selection for tubing, well head, downhole equipment to ensure safe & un-interrupted operation and minimization of life cycle cost -approximately Rs. 5.43 crores per well for Mumbai High, Rs. 1.36 crores per well (modular rig) for Neelam field and Rs. 1.04 crores per well (modular rig) for Heera field.

3. Future Plan of Action

3.1. Geology & Geophysics

- To carry out a project on "Exploration in the Outer Himalayan Thrust fold belt between Pathankot and Haridwar".
- Development and implementation of knowledge templates and tools for Petroleum Sequence System Analysis for prospect generation in collaboration with IIT, Roorkee.
- Studies on geoscientific data from Cauvery basin so as to identify possible locales for accumulation of Basin Centred Gas.
- To carry out studies of geoscientific data so as to bring out favourable hydrocarbon locales in basement of Cauvery Basin.
- Data collection on shale desorption from as many points as possible so as to estimate shale gas resources in Cambay and part of Gondwana basin.
- Assessment of methanogenic activity and their inter-relationship with geochemical parameters which will help in Biogenic gas exploration.
- Compound specific isotopic analysis of biomarkers, especially from the saturated hydrocarbon fractions of bitumens and oils for finer correlations: oil to oil and oil to source rock.
- To take up R&D project titled 'Hydrocarbon generation and oil-to-gas cracking as a source for overpressuring in hydrocarbon environments of Krishna-Godavari Basin'.
- Facies characterization, depositional modeling, reservoir characterization and source rock evaluation of Paleocene-Early Eocene sequence of Mumbai offshore basin.
- Standardization of Calcareous Nannofossil biostratigraphy of Paleogene sequences in East coast basins.

- Larger benthic foraminiferal indices from Indian Paleogene: Standardisation for high impact biostratigraphy on the lines of IGCP / IGP projects.
- Ostracoda dating and zonation of Tertiary sequences of Himalayan Thrust-Fold Belt between Ganga and Ravi rivers.
- Installation of new MT system and integrated study of MT data along with Gravity, Magnetic, Seismic and other Geo-Scientific data.
- Micro CT scanner facility to enable imaging, visualizing and calculating sedimentary rock properties in three dimensions.
- Seismic imaging of oil production rates.

3.2. Production

- Deep/Ultra Deepwater field development and flow assurance issues.
- Workover fluid level monitoring during work over operations in sub-hydrostatic wells using Echometer to avoid high degree of overbalance and hence reduction of formation damage.
- To study the crude oils from south and southwest of Mumbai High and nearby area for oil-oil and oil-source correlations using aromatic heterocyclic hydrocarbons and their isomers.
- Redevelopment plan for Heera field along with monetization of one satellite field B-134.
- Revival of Rudrasagar field.
- Joint venture proposals approved for carrying out large scale MEOR jobs.
- Pilot plant to be commissioned for helium extraction from natural gas.
- A compact scheme of condensate extraction by Twister Technology to produce about 16 TPD of condensate is conceptualized. Further, from the condensate fractionation scheme, production of about 1077 TPA of LPG and 3516 TPA of Naphtha is planned at a cost of Rs. 30.21 crore.
- Utilization of pressure energy from HP gases of Tripura; estimated additional annual revenue of about Rs. 316 Lakh.
- Utilization of pressure energy from HP gas wells and possibility of recovery of LPG from Ramnad & Kuthalam gas. Revenue generation of about Rs. 9.68 crore per year expected through the production of 1077 TPA of LPG and 3516 TPA of Naphtha.
- Extraction of VAP from condensate and natural gas of G-1 & GS-15 fields; estimated revenue of about Rs. 17.7 crore per year.
- H_2S Scavenging.

3.3. Technology-Drilling

- Study of Shallow / Swamp rigs.
- Formulation of Polyamines enhanced High Performance Water Based Mud (HPWBM) systems.
- Application of Enzyme Technology for effective mud cake removal in wells drilled with polymer based fluid.
- Integrated cementing solutions for HPHT Oil and Gas Wells.
- Application & feasibility of Slim Hole Drilling for exploitation from Shallow oil and gas wells / CBM wells.
- Alternate Casing Policy including bit and tubular size selection.
- Evaluating the suitability of ordinary Portland non API cements for use in oil well cementation.
- Planning of Horizontal well in TIPAM sand of Assam Asset.
- Hydraulic program for 12 ¼" phase drilling for Mumbai High.
- Studying Borehole instability problems.
- Development of genetic sequencing technique for bacteria identification.

3.4. Technology-Others

- Development of Electro-less Nickel Phosphorous (ENP) coating.
- Composites application for 'bridge between platforms', helidecks and down hole tubulars.
- Use of composites for fire retardants on escape routes in offshore platforms.
- Risk based inspection of offshore & onshore process installations.
- Gas hydrate induced corrosion analysis.
- Analysis & Design of Deepwater Foundation Systems.
- IEOT (Institute of Engineering & Ocean Technology) is pursuing with TIFAC, DST, Govt. of India for revision of Petroleum Rule 2002 to incorporate composites for hydrocarbon transportation pipelines.
- Scouting of new methods for flow assurance.
- Assessment of completion of horizontal well with respect to hole dia, Horizontal drift and flow in horizontal section.
- Well Completion design for producing Bandra formation gas wells.
- Testing of HPHT and sand producing zones and well completion design in East cost.

4. **Technology Absorption/ Adaptation and Innovation**

4.1 Geology & Geophysics

- New seismic vessel, "Sagar Samiksha" with dual source - six solid streamer vessel, equipped with state-of-the-art acquisition, positioning system and other equipment is being built by M/s. Amur Shipbuilding Plant, Russia. The vessel will also have onboard processing capability along with PSTM / PSDM facility. The vessel in likely to be put in operation in November, 2008.
- EM Pulse Source for seismic data acquisition to image subsurface in sub-trappean environment in KG and hard surface exposures in Cauvery Basin.
- Accelerated Weight Drop (AWD) method is planned to be attempted in Khoraghat area of Assam.
- *Low Frequency Acoustic Passive Seismic technology for direct detection of hydrocarbon through a pilot project in Cambay basin.*
- Passive Seismic Tomography for better definition of structural and lithologic features and Fault & Fracture Characterization in geologically complex areas like fold belt regions.
- Onshore equivalent of Q-Marine, called Q-Land aimed at high resolution, low noise seismic imaging of subsurface in Cambay Basin.
- Six of the new data acquisition systems for 2D - 3C Multi component seismic API technology are to be inducted.
- RTOC - Virtual reality centre to be equipped with RTOC facility for making possible real-time intervention during drilling.
- The feasibility study for 4D-4C survey in Vasai East area is in progress and likely to be completed by May, 2007.
- 3D- Basin Modeling software corporate license is being procured.
- Data Station (DASTA - 720) Data acquisition of adsorbed gas data.
- GV Isoprime Continuous Flow Isotope Ratio Mass Spectrometry (CF-IRMS).
- Established Nanoplankton laboratory which has started study on samples from Mahanadi Deep Offshore.
- Strata-Bug version-8 has been installed in the Laboratory for biostratigraphic application.
- Window based software for Onland GM data processing developed in house.
- Numbers of Gravity base stations have been established in Chennai Ramanathapuram, Mumbai and at Victoria Docks, Mumbai by tying up with absolute gravity observatory value, NGRI, Hyderabad for GM surveys.
- Revised Bouguer Anomaly map of India has been released recently by collaborative efforts of ONGC, GSI, NGRI, SOI and OIL.
- Petrobank system for Seismic data repository
- Geo- Vision Center with immersive visualization environment at VRC.
- Petrel Software for PC based subsurface interpretation.
- Jason Workbench for Geostatiscal inversion.
- Q Marine - Proprietary technology of M/s. Western Geco International for high resolution and improved reservoir characterization and monitoring.
- 4D Seismic - Balol field taken up as pilot project for Thermal Front Monitoring through departmental efforts for thermal front monitoring of Balol field.
- Multi-Component Seismic Survey - 2D - 3C Multi component seismic API technology inducted through buy back in 2005-2006.
- GXT - M/s. GX Technology initiated data acquisition for regional study in India under India span during 2005-06 and completed the same during 2006-07.The technology, focused towards deeper imaging, is very useful for improved understanding of petroleum system. Processing and interpretation of the data in progress.
- Sea Bed Logging - Controlled Source Electro-Magnetic Sounding (CSEM), a marine electromagnetic method has ability to map sub-surface resistivity remotely from sea floor. It is used for mitigating exploration risk, especially in deep waters.
- Air Borne Electro-magnetic Survey (AEM) - AEM survey for identification of prospective shallow gas areas carried out in KG and Western Onshore basins.
- MTEM -The Multi Transient Electro Magnetic (MTEM) technique produces resistivity profiles over prospective reservoirs and is sensitive to types of fluids in the rocks.
- Virtual Drilling: MaxEx Virtual drilling Technology - delivery of the systems to commence from April, 2007.
- PC Cluster Technology - inducted at SPIC, Mumbai and Chennai to cater to processing specially for pre-stack time/depth migration of large 3D prospects.

4.2. Technology- Production

- Commercial applications of In-situ Combustion in Santhal and Balol fields.
- Polymer flooding in Sanand field of Ahmedabad asset.
- Chemical flooding in Viraj and to start a pilot project in Jhalora field.
- *CO_2 injection in S_{3+4} sand of Ankleshwar field.*
- Smart unmanned platforms.
- Tubing disappearing smart plug.
- Intelligent well completion.
- Down hole Inflow control devices.
- New generation PWC-CFU.
- Produced water re-injection.
- FPSO.

4.3. Technology-Drilling

- Field implementation of smart cementing solution for wells with low BHCT in Cauvery Asset.
- Field implementation of Thermal slurry alternative to calcium alumina cement for in-situ combustion wells of Balol and Santhal Oil.
- Field implementation of High performance light weight (HPLW) cement slurry of 1.46 density in Assam Asset, Cauvery Asset and Frontier Basin.
- Field implementation of Light-weight cement slurries with synthetic fiber for loss control during drilling/ cementing operation.
- Whip-stocks for sidetracking of wells.
- Expandable Casing & Liners Systems.
- Proprietary mud systems like KCl-PHPA-Glycol Mud system, Non-damaging Drilling Fluids, hollow glass sphere mud system & environment friendly synthetic oil base mud systems.
- Drilling of hi-tech wells utilizing horizontal drilling, multi-lateral drilling, ERD, LDST, SDST on a larger scale in offshore as well as onshore fields.
- Pneumatic drilling for drilling of CBM wells as a pilot project.

4.4. Technology-Well Services

- Intelligent well with segmental completion.
- Isolation of open-hole zone by M-Pas packer for controlling water production.
- Squeeze Crete: For remedial cement jobs.
- Rigless Cementation with CTU & Mechanical Water Shutoff.
- Thru' tubing intervention by Inflatable Packer/Bridge plug.
- SDA and Diesel Acid job: Stimulation of lime stone reservoir.

4.5. Technology-Others

- Composite gratings installed on WI3 & SY platforms and in progress on 46 offshore platforms
- Composite piping and secondary structures included in the bid package of 4 well platform (4WPP) projects of MH-B&S and B&S-NH and also for BCP-B2.
- Composite material pipes being implemented for effluent/produced water, utility water, water injection and also in ETPs etc. at Ankleshwar, Ahmedabad, Mehsana and Rajahmundry Assets. Over 2000 Kms of composite material pipelines for various services are under implementation.

5. Collaborative projects with Foreign Institutes/ Domain Experts

- Alliances with M/s. Ente Nazionale Idrocarburi (ENI), Italy for Deepwater E&P in India, Third country opportunities and Technical cooperation.
- Alliances with Norsk Hydro, Norway for Deepwater E&P in India, Third country opportunities (Cuba) and Technical cooperation for thin oil recovery.
- A new 'Air Injection Laboratory' has been set up at IRS in collaboration with University of Calgary, Canada, with the objective to widen the domain of application of air injection process to enhance recovery from medium and light oil reservoirs.
- Micro-CT Scanner facility has been set up with collaboration with University of New South Wales , Sydney, Australia for studying cores at IRS.
- To participate in joint research programme by NGRI, India and IPT (Institute of Petroleum Technology) of NTNU (Norwegian University of Science & Technology), Norway to work on 'Reservoir modeling for Enhanced Oil Recovery using Fractals and 4D Seismic'. The benefit of the research will be utilised for enhancing oil recovery from ONGC fields.
- Domain experts hired for Seismic Interpretation process validation, Basin Modeling, Petroleum System Analysis, Sequence Stratigraphy, Advance Reservoir Characterization etc.
- Collaboration with Skochinsky Institute of Mining (SIM), Russia for Underground Coal Gasification.
- Alliances for various E&P studies/ activities with M/s. IPR Int. Ltd., Schlumberger Asia Services Ltd., Baker Hughes Singapore Pte., Halliburton Offshore Services.
- Alliances with Roxar Software solutions of Norway for Geo-steering software for geological & drilling events and Log forward modeling using High resolution Logs based on 3D reservoir models

6. Information Regarding Imported Technology

Information Regarding Imported Technology Imported during the last five years from the beginning of the Financial Year

A	Technology Imported	Year of Import
(i)	• Seismic Survey vessel M/V Sagar Sandhani upgraded to Dual Source, 2 streamer vessel and on board processing system. • Scanning electron microscope with energy dispersive spectrometer (SEM-EDX). • Accoustic Velocity (Compressional & Shear Wave velocity) measurement system. • Existing VOXELGEO was upgraded to VOXELGEO-XV alongwith procurement of additional software with features like attribute calculater, 3D Propogater and Reservoir Navigator enabling to handle larger data volume and resolve geological complexities. • Additional licences for ELAN Plus. • Emerge Seismic reservoir characterization software from Hampson Russel.	2002-03
(ii)	• 3D Integrated Quantitative Inversion & Modelling (My Bench software from M/S Jason Geosystems). • Network Enhancement Gigabit. • Two suits of Additional Licenses for G & G application of M/s Landmark. • 18 TB RAID 5 Storage system, N/W & RAM Upgradation of Origin 2000 server, Hard disk for octane workstations for processing and 5 TB RAID 1 Disk for INTEG. • RCCFA (Reservoir Condition Core Flow Apparatus). • Fully automated capillary pressure and resistivity system. • Mercury free PVT package. • SEM with EDX system, model 6460 LV. • SGI Origin 300 4 CPU Machine + Octane 2. • Network Access System (NAS). • Automated LTO Backup System. • New Layer 3 Switch for Network Upgradation. • Forgas Software. • PAL/ RAVE/ FZAIV RI-B Openvision and EMERGE - Software for Enhancing 2D/ 3D Interpretation and Reservoir Characterisation. • 3 Additional Licenses for Open Works of M/s Landmark Graphics. • 1 Additional License for ZMAP (Mapping) of Landmark Graphics.	2003-04
(iii)	• 8 CPU based P690 server and 3590E tape drive with Robotic tape library - upgradation of Petrobank server. • SUN Fire 15K Unified interpretation Data server, 30 SUN Blade150 X Terminals, one SUN Blade 2000 & one SUN Blade 2500. • GEOPROBE software from M/s Landmark Graphics. • 4 Suite of Licenses from M/s Landmark Graphics. • SGI-350 server and SGI TEZERO workstation OS-IRIX 6.5 with Landmark application software (Openworks, Seisworks 2D & 3D and Earth Cube), • Stand Alone System (96 CPU) Regetta with time and depth domain processing software 'GEO-DEPTH'. • Stand Alone System (32 CPU) Regetta with time and depth domain processing software 'GEO-DEPTH'. • 64CPU cluster system having 4TB disk space and time and depth processing software for MV Sagar Sandhani. • 10 Nos of 408-UL seismic data acquisition systems. • 17 Field processing units for 3D field crew to monitor online data quality. • "DGPS-RTK Differential Global Positioning System" for accurate positioning in topographic surveys.	2004-05
(iv)	• "StrataBug" software for Bio-stratigraphy. • Log data processing software - GEOFRAME containing ELAN PLUS, dip-meter, image processing and interpretation package along with hardware. • State of Art digital micro gravity meter, Proton Precision magnetometer together with DGPS, Total station and Auto level for topographical survey to meet the requirements of precision GM survey. • ISO Prime GC-IRMS.	2005-06

	• Sun servers and work-stations for EPINET (Exploration & Production Information Network). • Suite of 2D/3D Move Software of Mid land valley. • Three Numbers PC based software from Geographix. • Geosec2D Paradigm software installed in F15K server. • Configured five sun blade 150 systems with PCI cards and installed windows XP. so as to work both as workstation and PC. • IBM P690(8CPU) Petrobank server upgraded to 32 CPU for supplementing seismic data processing. • 3 Mobile Processing Units (MPU) for reducing API cycle time. • PC based Seismic Interpretation system. • High temperature anaerobic bio-reactor. • Microscope with image analyser. • Refrigerated centrifuge. • Incubated shaker. • High temperature incubator. • High precision metering pump. • End Face grinder.	
(v)	• Data Station (DASTA - 720) • GV Isoprime Continuous Flow Isotope Ratio Mass Spectrometry (CF-IRMS) • Varian CP3800 Natural Gas Analyzer • GC-MS-MS(Varian) • Latest releases of M/s. Landmark / M/s. Hampson Russell / M/s. Jason / M/s. GeoQuest Interpretation Software installed as part of regular M&S. • Geo-Vision Centre (Virtual Reality Centre) with SGI Onyx 3900 Server (16 CPU, 64 GB RAM) installed for 3 Pipe, Curved screen, immersive volume visualization using the software from M/s. Paradigm. • Petrel Suite of Software along with Interactive Petrophysics from M/s. Geo Quest Systems Installed. • Latest release of Solaris Operating System version 10 installed and configured for future migration of Landmark Application Software. • Netvault Backup Software for Lanfree / SAN backup installed. • ZFS (Zeta Byte file system) was created on one SUN machine with Solaris 10 for performance evaluation with respect to existing UFS file system. • BigIron Foundry Gigabit Ethernet switch upgraded to 120 gigabit fiber ports along with redundant power module to provide seamless gigabit network connectivity to all servers and clients throughout GEOPIC. • EPOS3SE upgraded to RFC (Rock & Fluid Canvas) • Q - Marine. • Sea bed logging. • GX Technology. • Digital Multilevel Vertical seismic profiling (VSP). • Air borne Electromagnetic Survey. • Multi Transient Electro Magnetic (MTEM) technique. • Virtual Drilling Technology.	2006-07
B	Has the technology been fully absorbed?	Yes
C	If not fully absorbed, areas where this has not taken place, reasons thereof, and future plans of action.	Not applicable

6. **Expenditure on Research & Development**

(Rs. in million)

Sl. No.	Heads	2006-07	2005-06
1.	Capital	**482.71**	173.81
2.	Recurring	**863.56**	1,083.70
3.	Total R&D Expenditure	**1346.27**	1,257.51
4.	Total R&D Expenditure as a percentage of Total Turnover	**0.23%**	0.25%

7. **Information on Foreign Exchange Earnings and Outgo:**

(Rs. in million)

Sl. No.	Heads	2006-07	2005-06
1.	Foreign Exchange Earnings	**29,906.56**	26,093.83
2.	Foreign Exchange Outgo	**87,761.69**	81,029.41

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ANNEXURE 'B'

STATEMENT OF RESERVE RECOGNITION ACCOUNTING

Standardised measure of discounted future net cash flows relating to proved oil and gas reserve quantities as on 31st March, 2007:-

(Rs. in million)

Particulars	Gross Value as at		Present value (Discounted at 10%) as at	
	31st March 2007	31st March 2006	31st March 2007	31st March 2006
REVENUES				
Oil	6,104,400.92	5,623,256.00	3,039,324.43	2,953,505.22
Gas	1,089,576.71	939,490.56	521,645.01	463,711.87
Total Revenues	**7,193,977.63**	**6,562,746.56**	**3,560,969.44**	**3,417,217.09**
COSTS				
Operating, Selling & General	3,035,075.19	2,865,816.00	1,501,831.31	1,491,847.27
Corporate Tax	1,025,459.00	892,865.76	488,610.98	441,430.49
Sub Total	**4,060,534.19**	**3,758,681.76**	**1,990,442.29**	**1,933,277.76**
Evaluated Cost of Acquisition of Assets, Development and Abandonment Cost				
a) Assets	369,623.75	226,222.84	276,278.43	169,475.24
b) Development	179,031.55	204,953.26	131,176.02	163,193.45
c) Abandonment	169,632.50	151,156.40	2,113.12	1,882.96
Sub Total	**718,287.80**	**582,332.50**	**409,567.57**	**334,551.65**
Total Cost	**4,778,821.99**	**4,341,014.26**	**2,400,009.86**	**2,267,829.41**
Net future earnings from Proved Reserves	**2,415,155.64**	**2,221,732.30**	**1,160,959.58**	**1,149,387.68**

Notes:-

1. The Revenues on account of crude oil and gas have been worked out on the basis of average price for the year 2006-07. The average price for crude oil is net of Subsidy Discount.
2. Expenditure on Development, Acquisition of capital assets, Abandonment costs and Operating Expenditure have been considered at current costs i.e. as on 31.03.2007. Taxes and Levies have been considered at prevailing rates as on 31.03.2007.
3. The reserves have been estimated by ONGC's Reserve Estimates Committee following the standard international reservoir engineering practices.
4. Only Proved reserves have been considered. Probable or Possible reserves have not been considered. These reserves exclude ONGC's share of foreign JV Assets.
5. Both revenues and costs have been discounted to present value using 10% discounting factor. The Net future earnings, therefore, represent the net expected future cash inflows from production of recoverable reserves of crude oil and gas.
6. However, neither the estimated net reserves nor the related present value should be taken as a forecast of future cash flows or value of these reserves because (a) future estimated production schedules used in the valuation process are subject to change, (b) up-gradation of Probable and Possible reserves would significantly affect the gross and net present value of the expected future cash inflows, (c) future crude oil and natural gas prices are subject to change and (d) future expenditure on production (operating), development and acquisition cost of capital assets and rates of taxes and levies, which may be at variance from those assumed herein.

ANNEXURE 'C'

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF OIL AND NATURAL GAS CORPORATION LIMITED FOR THE YEAR ENDED 31st MARCH, 2007

The preparation of Financial Statements of **Oil And Natural Gas Corporation Limited** for the year ended 31st March, 2007 in accordance with the Financial Reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these Financial Statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 25th June, 2007.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the Financial Statements of **Oil And Natural Gas Corporation Limited** for the year ended 31st March, 2007. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619 (4) of the Companies Act, 1956.

for and on behalf of the
Comptroller and Auditor General of India

Revathy Iyer
Principal Director of Commercial Audit
& ex-officio Member Audit Board II, Mumbai

Mumbai
14th August, 2007

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ANNEXURE 'D'

HUMAN RESOURCE IN ONGC

Employees as on 31st March, 2007

(Numbers)

Employee Group	Age Distribution				Total	
	< 31	31 - 40	41 - 50	51 - 60	2006 - 07	2005 - 06
(A) Technical						
Executive	533	1,919	10,257	5,596	**18,305**	18,684
Non-Executive	73	1,042	3,307	650	**5,072**	5,194
Total (A)	606	2,961	13,564	6,246	**23,377**	23,878
(B) Non-Technical						
Executive	142	422	1,977	1,824	**4,365**	4,474
Non-Executive	137	1,044	3,054	1,833	**6,068**	6,370
Total (B)	279	1,466	5,031	3,657	**10,433**	10,844
Grand Total (A+B)	**885**	**4,427**	**18,595**	**9,903**	**33,810**	**34,722**

Note: Whole-time Directors excluded.

Valuation as on 31st March, 2007

(Rs. in million)

Employee Group	Age Distribution				Total	Value per employee	
	<31	31-40	41-50	51-60		2006-07	2005-06
(A) Technical							
Executive	8,788.1	28,178.9	105,987.6	29,175.4	172,130.0	**9.4**	9.0
Non-Executive	815.7	10,137.7	25,732.9	2,472.2	39,158.5	**7.7**	7.0
Total (A)	9,603.8	38,316.6	131,720.5	31,647.6	211,288.5	**9.0**	8.6
(B) Non-Technical							
Executive	2,268.3	6,084.4	18,958.6	9,036.0	36,347.3	**8.3**	8.0
Non-Executive	1,459.0	9,480.7	20,649.2	5,895.7	37,484.6	**6.2**	5.5
Total (B)	3,727.3	15,565.1	39,607.8	14,931.7	73,831.8	**7.1**	6.5
Grand Total (A+B)	**13,331.1**	**53,881.7**	**171,328.2**	**46,579.3**	**285,120.4**	**8.4**	**7.9**

* Valuation based on most widely used "Lev & Schwartz" model.
* Aggregate future earnings during remaining employment period of employees, discounted @ 8% p.a., provides present valuation.
* Future earnings based on current emoluments with normal incremental profile.

ANNEXURE 'E'

RECOGNITIONS, AWARDS AND ACCREDITATIONS

1. Global Rankings/ Recognitions

- **Ranked Numero Uno E&P** company in the world as per **"Platts 250 Global Energy Companies list for the year 2006"** (September 2006) based on Assets, Revenues, Profits, and Return on invested capital (ROIC).
- **Ranked 20th** Leading Global Energy Major from amongst the **'Top 250 Energy Majors' of the World as per "Platts 250 Global Energy Companies list for the year 2006"** (September 2006) based on asset worth, revenues, profits, and return on invested capital (ROIC).
- **Leads the list of Indian corporate titans with 239th rank in the Forbes Global 2000 list of elite companies across the world** (which has 34 Indian firms) based on sales, profits, assets and market valuation during the last fiscal.
- The only company from India to feature in the World's Most Admired Companies 2007 list by Fortune Magazine (May 2007), securing the **9th position in the Industry** - Mining, Crude-Oil Production. The ranking is based on the survey conducted by Last fall Hay Group which surveyed financial analysts and executives and directors at 347 companies with revenue in excess of $8 billion.
- **Ranked 21st among the top 50 publicly traded companies in the Oil and Gas industry**, based on year-end (2006) market capitalization by PFC Energy (January 2007).
- **Ranked 369th in Fortune Global 500 list for the year 2007**, up from 402nd last year, based on Revenues, Profits, Assets and Shareholder's equity. In terms of profits, ONGC maintains its top rank from India, with overall ranking of 121st (July 2007).

2. Indian Rankings/ Recognitions

- **"Biggest Wealth Creator Award"** for the period 2000-2006 instituted by M/s Motilal Oswal Securities Ltd, third time in a row
- **Ranked as the most respected Company in PSU category** in the 2006 Business World survey (June 2006), with 13th position in the league of the most-respected Indian corporates.
- **Tops the Business India Super 100 list** (among 284 Indian Companies having Sales in excess of Rs 500 Crore), based on Sales, Profit After Tax (PAT), Net Fixed Assets and Market Capitalization (December 2006).
- **Topped the visibility metrics in Indian Oil and Gas sector** and the only PSU in the top 10 list of Indian corporate newsmakers. The list have been drawn up based on an image monitoring study carried out by 'Business Today' and 'Cirrus', to find out the most-written-about Indian companies.

3. Awards & Accreditations

- **Golden Peacock Award 2006**, instituted by Institute of Directors (IOD), for Corporate Governance in PSU category (November 2006).
- Partners in Progress Award, instituted by the **"Legends of India"**, an independent endeavour to promote Indian Art and Culture within the country and abroad, for its support and contribution in the field of Art and Culture (May 2007).
- **Dun & Bradstreet - American Express Corporate Awards 2006** in the oil & gas exploration sector (August 2006).
- **Amity Corporate Excellence Award,** instituted by Amity International Business School, for excellence in Corporate Governance (February 2007).
- **Received 8 National Safety Awards (Mines) for the year 2002 and 2003**, announced on 14th February, 2007. ONGC bagged all the awards in the Oil Mines Category for the longest accident free period for 2002 and 2003 and lowest injury frequency per lakh man-shifts for 2002 and 2003. The awarded mines include Lakwa Production Oil Mine, Geleky Production Oil Mine, Cauvery Production Mine, Mehsana Oil Project (DBG) and Rudrasagar Production Oil Mine.
- Petroleum Minister's PSPB Trophy for overall excellence in sports for the years 2004-05 and 2005-06 for **"Highest contribution through sports persons who have won acclaim at international level"** (November 2006).

4. Awards to ONGC's Business Units

- **7th Annual Greentech Environment Excellence Silver Award** in petroleum sector to the Institute of Petroleum Safety, Health and Environment Management (IPSHEM) (August 2006).
- **'Greentech Gold Safety Award'** in the Petroleum Sector category for the year 2006 to Hazira Plant, for the fifth time in a row.
- **'Greentech Health Safety Environment Gold Award'** to Rig E-1400-17 of Rajahmundry Asset.
- Tatipaka Refinery bagged the **7th Annual Green Tech Environment Excellence Gold Award, 2006** in the Petroleum Refining Sector.
- **Golden Peacock Environment Management Award (GPEMA)-2006** to Ahmedabad Asset for the excellent Environment Management at its Limbodra GGS-II facility. The Award has been instituted by the World Environment Foundation, UK.
- **Safety Innovation Award - 2006** instituted by Safety & Quality Forum of Institution of Engineers (India) to Ahmedabad Asset.
- **Hazira Plant bagged the prestigious "Oil Industry Safety Award"** instituted by Oil Industry Safety Directorate, MoP&NG for the year 2005-06 (November 2006).
- Regional Geosciences Laboratory, Western Offshore Basin, Mumbai, Hazira Plant, Hazira, ONGC Academy, Dehradun, and IEOT, Panvel were conferred with the **Golden Peacock Awards 2006**, instituted by the Institute of Directors for their excellent performance in respective field of activities (January 2007).
  - Regional Geosciences Laboratory, Western Offshore Basin, Mumbai was conferred Golden Peacock National Quality Award-2006.
  - Hazira Plant was conferred Golden Peacock Innovative Product & Service Award-2006 for producing Aviation Turbine Fuel from Gas condensate as a raw material.
  - ONGC Academy was conferred the award for Excellence in Management and Skill Development.
  - IEOT, Panvel was presented the award for application of Composite Materials in ONGC.

5. Awards to CMD & Directors

- **CMD & Director (Finance)**, ONGC has been selected for the **'CNBC - TV18 CFO Award 2006'** for excellence in Finance in the Oil and Allied Services category.
- **Dr. A. K. Balyan, Director (HR)** has been conferred the **"Best HR-Head Award"** by Amity International Business School (August 2006).

AUDITORS' REPORT

THE MEMBERS
OIL AND NATURAL GAS CORPORATION LIMITED

1. We have audited the attached Balance Sheet of OIL AND NATURAL GAS CORPORATION LIMITED (the company) as at 31st March, 2007, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto in which are incorporated the Company's share in the total value of assets, liabilities, expenditure, income and net profit of 102 NELPs / Joint Ventures (JVs) accounts for exploration and production out of which 75 NELPs /JVs accounts have been certified by other firms of Chartered Accountants and remaining 27 NELPs/JVs as certified by the management (Refer Note 24.1.1 to 24.1.4 of Schedule 28 of the financial statements). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Statement on the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure (read with paragraph 1 above) a statement on the matters specified in paragraph 4 and 5 of the said Order.

4. In our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

5. Disclosure in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 is not required as per notification number GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.

6. We have placed reliance on technical/ commercial evaluation by the management in respect of categorization of wells as exploratory and producing, allocation of cost incurred on them, depletion of producing properties on the basis of the proved developed hydrocarbon reserves, liability for abandonment costs and allocation of depreciation on process platforms to transportation and facilities.

7. Further to our comments referred to in paragraph 3 above we report as follows:

7.1 we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit;

7.2 in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

7.3 the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

7.4 in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes to account and in particular Note 1 of Schedule 28 in respect of recognition of Sales Revenue in respect of crude oil and natural gas,

give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;

b) in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date: and

c) in the case of the Cash Flow Statement, of the Cash Flow of the Company for the year ended on that date.

For K.K.Soni & Co.
Chartered Accountants

(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants

(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants

(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants

(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1 a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) We are informed that the fixed assets other than those which are underground/ submerged/ under joint venture, having substantial value have been physically verified by the management in phased manner. The reconciliation of physically verified assets with the book records is in progress. Discrepancies noticed on physical verification and consequential adjustment with regard to discrepancies are carried out on completion of reconciliation. According to the information and explanations given by the management, in our opinion, the same is not material.

c) The Company has not disposed off substantial parts of fixed assets during the year.

2 a) The inventory has been physically verified (excluding inventory lying with third parties, at some of the site- locations, inventory with joint ventures and material in transit) during the year by the management. In our opinion, the frequency of verification is reasonable.

b) The procedures of physical verification of inventory followed by the management to the extent verified were generally reasonable and adequate in relation to the size of the Company and nature of its business.

c) The Company has generally maintained proper records of inventory except for recording of consumption at a few of its site-locations. The discrepancies noticed on verification between the physical stock and book records were not material having regard to the size of the operations of the Company. In case where discrepancies noticed on physical verification have been identified with inventory records, necessary adjustments have been carried out in the books. In respect of those cases where the reconciliation is not complete, the management has stated that the same would be adjusted in due course.

3 a) There are two companies covered in the register maintained under section 301 of the Companies Act, 1956 to which the Company has granted unsecured loans aggregating to Rs. 200,312.86 million. The aggregate amount outstanding as at the year end is Rs. 145,941.59 million.

b) In our opinion, the terms and conditions of the loans granted are prima facie not prejudicial to the interest of the Company.

c) The Company is regular in recovery of principal and interest.

d) There is no overdue amount receivable.

e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses (iii)(e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

4 In our opinion, and according to the information and explanations given to us, the internal control procedures are generally adequate and commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and sale of goods. During the course of our audit we have not observed any continuing failure to correct major weakness in internal controls.

5 a) According to the information and explanations given to us, there is no contract or arrangement referred to in section 301 of the Companies Act, which are required to be entered in the register maintained under the section.

b) Accordingly, the provisions of clause v (b) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.

6 The Company has not accepted any deposits from the public.

7 In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8 We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rule made by the Central Government for the maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

9 a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it. There are no such material outstanding statutory dues as of the last date of the financial year concerned for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, the disputed statutory dues are as under:

Name of the statute	Nature of the dues	Amount (Rs. in million)	Period to which the amount relates (financial year)	Forum where dispute is pending
Income tax Act, 1961	Income tax	18,372.85	1996-2007	ITAT/CCIT/CIT (A), High Court
Central Excise Act 1944	Central excise duty/ Interest/Penalty	2,939.30	1981-2007	CEGAT/Director of Central Excise/ Commisioner/Asst. Comm. of Central excise
The Customs Act, 1962	Customs duty/ Penalty/Interest	6,465.29	1995-2007	Supreme Court/High Court/ CBEC/Comm. Customs
Oilfields (Regulation & Development Act, 1948)/AP Mines and Geology Act	Royalty/Surface rent/ Interest/Penalty	600.43	1992-2007	Director, Mines & Geology/Dept. of Geology and Mining, A.P. High Court
AP Mineral Bearing Lands (Infrastructure) Cess	Cess	364.02	2005-2007	Dept. of Geology and Mining, A.P. High Court
Oil Industries (Development) Act,1974	Cess/Interest	9.25	2000-2007	CEGAT/ Supdt./Comm.(A)
Central Sales Tax Act 1956 and respective States' Sales Tax Act	Sales tax/Turnover Tax/ Penalty/Interest	2758.29	1977-2007	Supreme Court/High Court/Tribunal/Asst. Comm/ Dy. Comm./Suptd. Of Taxes/ Commercial Tax Officer
Municipal Corporation of Greater Mumbai Act (Octroi Rules, 1965)	Octroi Duty	80.80	1977-2007	Supreme Court
Assam Specified Land Taxation Act	Tax on Crude oil and Natural Gas	1046.38	2004-2007	Guwahati High Court

10 The Company has no accumulated losses at the end of the current financial year and has not incurred cash losses either during the year or during the immediately preceding financial year.

11 The Company has not issued any debentures and not defaulted in repayment of dues to financial institutions or banks.

12 In our opinion and as per the information and explanation given by the management, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13 In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/ society. Accordingly, the provision of clause (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

14 In our opinion and as per the information and explanation given by the management, the Company is not dealing in or trading in shares, securities, debentures and other investments.

15 In our opinion and as per the information and explanation given by the management, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company, since these guarantees are given for the subsidiary/ company promoted by the Company.

16 In our opinion, the term loans have been applied for the purpose for which they were raised.

17 On an overall examination of the balance sheet of the Company, we report that no funds raised on short terms basis have been used for long term investment.

18 The Company has not issued any preferential allotment of shares during the year.

19 The Company has not issued any debentures during the year.

20 The Company has not raised any money by way of public issue during the year.

21 According to the information and explanations given to us, no fraud on or by the company which is material in amount and nature has been noticed or reported during the course of our audit.

For K.K.Soni & Co.
Chartered Accountants

(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants

(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants

(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants

(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

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BALANCE SHEET AS AT 31ST MARCH, 2007

(Rupees in million)

	Schedule		As at 31st March, 2007	As at 31st March, 2006
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	21,388.87		14,259.30
Reserves and Surplus	2	597,850.39		525,337.39
			619,239.26	539,596.69
LOAN FUNDS				
Unsecured Loans	3		3,737.39	1,069.76
DEFERRED TAX LIABILITY (NET)			65,227.44	63,551.33
LIABILITY FOR ABANDONMENT COST			147,353.27	126,156.35
TOTAL			835,557.36	730,374.13
APPLICATION OF FUNDS				
FIXED ASSETS	4			
Gross Block		520,380.67		478,823.45
Less: Depreciation and Impairment		431,989.53		400,401.48
		88,391.14		78,421.97
CAPITAL WORKS-IN-PROGRESS (NET)	5	48,250.99		28,231.01
NET BLOCK			136,642.13	106,652.98
PRODUCING PROPERTIES	6			
Gross Cost		614,943.21		560,896.49
Less: Depletion and Impairment		319,258.54		285,063.12
NET PRODUCING PROPERTIES			295,684.67	275,833.37
EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS(NET)	7		34,005.98	29,602.83
INVESTMENTS	8		57,020.51	48,885.73
CURRENT ASSETS, LOANS AND ADVANCES				
Interest Accrued	9	7,268.63		3,509.48
Inventories	10	30,337.58		27,642.80
Sundry Debtors	11	27,594.40		37,042.76
Cash and Bank Balances	12A	136,705.08		42,792.65
Deposit with Scheduled Bank Under Site Restoration Fund Scheme	12B	56,102.86		45,335.56
Loans and Advances	13	185,945.25		212,549.33
Other Current Assets	14	0.35		0.21
		443,954.15		368,872.79
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	15	88,169.70		65,270.11
Provisions	16	48,721.02		37,866.81
		136,890.72		103,136.92
NET CURRENT ASSETS			307,063.43	265,735.87
MISCELLANEOUS EXPENDITURE *(To the extent not written off or adjusted)*	17		5,140.64	3,663.35
TOTAL			835,557.36	730,374.13
SIGNIFICANT ACCOUNTING POLICIES	27			
NOTES TO ACCOUNTS	28			

Schedules referred to above form an integral part of the Accounts

For and on behalf of the Board

(S. C. Setia)
Company Secretary

(Dr. A.K. Balyan)
Director (HR)

(R.S.Sharma)
Chairman & Managing Director and Director (Finance)

In terms of our report of even date attached

For K.K.Soni & Co.
Chartered Accountants
(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants
(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants
(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants
(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants
(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in million)

	Schedule	2006-07	2005-06
INCOME			
Gross Sales	18	569,123.06	482,443.90
Less: Excise Duty		2,708.93	2,729.01
Net Sales		566,414.13	479,714.89
Other Income	19	42,291.99	23,484.98
		608,706.12	**503,199.87**
EXPENDITURE			
(Increase)/ Decrease in stocks	20	197.26	(2,115.83)
Purchases		59,401.05	34,337.97
Production, Transportation, Selling and Distribution Expenditure	21	210,901.30	170,296.55
Depreciation, Depletion and Amortisation	22	94,666.79	83,021.72
Financing Costs	23	394.79	298.14
Provisions and Write-offs (Net)	24	3,342.34	3,437.65
		368,903.53	289,276.20
Profit before Tax, Prior Period and Extraordinary Items		239,802.59	213,923.67
Adjustments relating to Prior Period (Net)	25	(7,851.08)	(1,957.84)
Extraordinary Items- Excess of Insurance Claims over book value (Refer Note 10 of Sch-28)		4,750.61	6,405.39
Profit before Tax		236,702.12	**218,371.22**
Provision for Taxation			
- Current Tax (including Wealth Tax Rs. 20.00 million, Previous year Rs. 31.00 million)		77,870.00	63,481.00
- For Earlier years		0.00	926.07
- Deferred Tax		1,869.65	9,112.87
- For Fringe Benefit Tax		533.30	543.50
Profit after Taxation		156,429.17	144,307.78
Surplus at the beginning		0.43	0.10
BALANCE AVAILABLE FOR APPROPRIATION		156,429.60	**144,307.88**
APPROPRIATIONS			
Proposed Dividend		27,805.34	28,518.68
Tax on Proposed Dividend		4,725.52	3,999.74
Interim Dividend		38,499.71	35,648.35
Tax on Interim Dividend		5,399.58	4,999.68
Transfer to General Reserve		79,999.00	71,141.00
Balance carried to Balance Sheet		0.45	0.43
		156,429.60	**144,307.88**
EARNINGS PER EQUITY SHARE - BASIC AND DILUTED (Rs.)	26		
(Face Value Rs. 10/-Per Share)			
- before extraordinary items (net of tax)		71.66	65.48
- after extraordinary items		73.14	67.47
SIGNIFICANT ACCOUNTING POLICIES	27		
NOTES TO ACCOUNTS	28		

Schedules referred to above form an integral part of the Accounts

For and on behalf of the Board

(S. C. Setia)
Company Secretary

(Dr. A.K. Balyan)
Director (HR)

(R.S.Sharma)
Chairman & Managing Director and Director (Finance)

In terms of our report of even date attached

For K.K.Soni & Co.
Chartered Accountants
(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants
(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants
(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants
(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants
(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

SCHEDULE-1

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
SHARE CAPITAL			
Authorised:			
15000,000,000 Equity Shares of Rs. 10 each		150,000.00	150,000.00
Issued and Subscribed:			
2138,891,502 (1425,933,992) Equity Shares of Rs. 10 each		21,388.92	14,259.34
Paid up :			
2138,872,530 (1425,933,992) Equity Shares of Rs. 10 each	21,388.73		14,259.34
Less: Calls in Arrears (Other than Directors)	0.00		0.04
Add: Shares forfeited	0.14		0.00
		21,388.87	14,259.30
TOTAL		21,388.87	14,259.30

Note: The above includes:

(i) 342,853,716 (342,853,716) Equity Shares issued as fully paid up to the President of India without payment being received in cash in terms of Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act,1993.

(ii) 1,789,397,876 (1,076,440,366) Equity Shares issued as fully paid up by way of bonus shares by capitalisation of General Reserve and Securities Premium.

(iii) 18,972 Equity Shares have been forfeited during the year.

SCHEDULE-2

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
RESERVES AND SURPLUS			
Capital Reserve			
Assets received as gift *		159.44	159.44
Government Grant			
a) Opening Balance	38.11		37.33
b) Addition during the year	25.97		11.16
c) Less: Deduction during the year	6.56		10.38
		57.52	38.11
Securities Premium Account **			
a) Opening Balance	1,725.32		1,724.91
b) Addition during the year	0.00		0.41
c) Less: Capitalisation by issue of bonus shares	1,725.32		0.00
	0.00		1,725.32
Premium on Foreign Currency Bonds	168.12		168.12
		168.12	1,893.44
Insurance Reserve		2,500.00	2,500.00
General Reserve			
a) Opening Balance	520,745.97		449,604.97
b) Less: Adjustment for Post Retirement Benefits as on 01.04.2006 (Refer Note 5 of Sch-28)	375.86		0.00
c) Less: Capitalisation by issue of bonus shares	5,404.25		0.00
d) Add: Transferred from Profit and Loss Account	79,999.00		71,141.00
		594,964.86	520,745.97
Profit and Loss Account		0.45	0.43
TOTAL		**597,850.39**	**525,337.39**

* At assessed value.

** Securities premium account is credited only on receipt basis.

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SCHEDULE-3

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
UNSECURED LOANS		
(a) Long Term		
From Oil Industry Development Board	202.18	404.35
Foreign Currency Loans:		
- From Banks	493.73	665.41
(b) Cash Credit		
- From Bank	3,041.48	0.00
TOTAL	3,737.39	1,069.76
Long term includes repayable within one year	354.08	358.73

SCHEDULE-4

FIXED ASSETS

(Rupees in million)

	GROSS BLOCK				DEPRECIATION AND IMPAIRMENT						NET BLOCK	
	As at 1st April, 2006	Additions during the year	Deletions/ adjustments during the year	As at 31st March 2007	Up to 31st March, 2006	For the year: Depreciation	Impairment Loss: Charged	Impairment Loss: Reversed	Deletions/ Adjustments during the year	Upto 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
Land i) Freehold	1,264.75	288.10	5.94	1,546.91	24.98	0.00	13.08	0.00	0.00	38.06	1,508.85	1,239.77
ii) Leasehold	2,925.75	19.46	6.05	2,939.16	201.52	18.72	0.00	0.00	0.00	220.24	2,718.92	2,724.23
Buildings and Bunk Houses *	10,517.68	448.37	8.08	10,957.97	5,645.34	317.92	119.57	0.00	6.91	6,075.92	4,882.05	4,872.34
Railway Sidings	89.95	0.00	0.00	89.95	77.58	1.72	0.00	0.00	0.00	79.30	10.65	12.37
Plant and Machinery	452,416.45	41,171.98	1,517.88	492,070.55	386,677.01	31,432.94	230.12	210.51	1,502.24	416,627.32	75,443.23	65,739.44
Furniture and Fittings	4,095.41	453.92	85.25	4,464.08	2,658.46	294.14	8.92	0.68	75.21	2,885.63	1,578.45	1,436.95
Vehicles,Survey Ships, Crew Boats and Helicopters	4,489.11	585.09	129.37	4,944.83	3,665.47	338.50	6.03	0.00	81.03	3,928.97	1,015.86	823.64
	475,799.10	**42,966.92**	**1,752.57**	**517,013.45**	**398,950.36**	**32,403.94**	**377.72**	**211.19**	**1,665.39**	**429,855.44**	**87,158.01**	**76,848.74**
Intangibles - Software	3,024.35	345.59	2.72	3,367.22	1,451.12	678.72	4.89	0.00	0.64	2,134.09	1,233.13	1,573.23
TOTAL	**478,823.45**	**43,312.51**	**1,755.29**	**520,380.67**	**400,401.48**	**33,082.66**	**382.61**	**211.19**	**1,666.03**	**431,989.53**	**88,391.14**	**78,421.97**
Previous year	429,838.49	61,436.35	12,451.39	478,823.45	371,473.18	40,060.56	307.51	149.59	11,290.18	400,401.48	78,421.97	
The above includes the Corporation's share in Joint Venture Assets	17,948.98	4,122.41	57.78	22,013.61	14,675.49	1,608.21	15.27	210.46	53.82	16,034.69	5,978.92	
Previous year	16,937.99	1,089.13	78.14	17,948.98	13,301.76	1,286.38	160.50	0.00	73.15	14,675.49	3,273.49	

* includes building held for sale- gross value-Rs. 1.30 million, net value-Rs. 0.13 million.

Notes

1. Intangibles - Software are amortised @ of 40% on Written Down Value (WDV) Method
2. Additions to Plant and Machinery are net of Rs. 5.02 million on account of net exchange gain during the year (Previous year Rs. 34.13 million).
3. Land includes lands in respect of certain projects for which execution of lease/conveyance deeds are in process.
4. Registration of title deeds in respect of certain Buildings is pending execution.
5. Depreciation for the year includes Rs. 154.66 million taken to prior period (Previous year Rs. 1532.95 million)

SCHEDULE-5

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
CAPITAL WORKS-IN-PROGRESS				
Buildings		67.07		61.34
Plant and Machinery		45,119.53		25,197.30
Advances for Capital Works and Progress Payments		1,523.36		1,600.67
Capital Stores (including in transit)	2,182.00		1,542.86	
Less: Provision for Non-Moving Items	81.97		72.00	
		2,100.03		1,470.86
TOTAL		48,809.99		28,330.17
Less: Impairment				
Opening Balance		99.16		2.98
Provided for the year		460.35		97.49
Less: Transfer to Fixed Assets		0.51		0.30
Write back during the year		0.00		(1.01)
TOTAL		559.00		99.16
NET CAPITAL WORKS-IN-PROGRESS		48,250.99		28,231.01

SCHEDULE-6

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	560,896.49	486,169.73
Transfer from Exploratory Wells-in-Progress	1,732.95	1,396.39
Transfer from Development Wells-in-Progress	24,048.44	18,566.91
Depreciation on Facilities	11,313.74	11,145.91
Estimated Abandonment costs	18,476.14	45,215.71
Deletion/ Adjustments	(1,524.55)	(1,598.16)
TOTAL	614,943.21	560,896.49
Less: Depletion & Impairment		
Opening Balance	285,063.12	256,563.10
Depletion for the year	33,848.79	29,684.36
Transfer of Impairment from Development Wells in Progress	0.00	136.98
Impairment provided for the year	859.15	483.13
Write back of Impairment	(131.84)	(1,098.13)
Deletion/Adjustments	(380.68)	(706.32)
TOTAL	319,258.54	285,063.12
NET PRODUCING PROPERTIES	295,684.67	275,833.37

SCHEDULE-7

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
A) EXPLORATORY WELLS-IN-PROGRESS				
Gross Cost				
Opening Balance		22,797.53		13,531.86
Expenditure during the year	26,335.58		26,247.74	
Less : Sale proceeds of Oil and Gas (Net of Levies of Rs. 8.71 million)	19.90	26,315.68	5.90	26,241.84
		49,113.21		39,773.70
Less :				
Transfer to Producing Properties		1,732.95		1,396.39
Wells written off during the year		22,076.50		15,579.78
EXPLORATORY WELLS-IN-PROGRESS		25,303.76		22,797.53
B) DEVELOPMENT WELLS-IN-PROGRESS				
Opening Balance		6,840.52		3,962.99
Expenditure during the year		26,315.80		21,444.44
Less: Transfer to producing properties		24,048.44		(18,566.91)
TOTAL		9,107.88		6,840.52
Less: Impairment				
Opening Balance		35.22		136.98
Transfer to Producing Property		0.00		(136.98)
Provision for the year		370.44		35.22
TOTAL		405.66		35.22
NET DEVELOPMENT WELLS-IN-PROGRESS		8,702.22		6,805.30
EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (A+B)		34,005.98		29,602.83

SCHEDULE-8

(Rupees in million)

	No. of Shares/ Bonds/Units	Face Value per Share/Bond /Unit (in Rupees)	As at 31st March, 2007	As at 31st March, 2006
INVESTMENTS (AT COST)				
LONG-TERM INVESTMENTS (FULLY PAID UP)				
A. TRADE INVESTMENTS				
1. Equity Shares (Quoted)				
i) Indian Oil Corporation Limited	106,453,095	10	13,720.49	13,720.49
ii) GAIL (India) Limited	40,839,549	10	2,451.06	2,451.06
iii) Mangalore Refinery and Petrochemicals Limited(Subsidiary)	1,255,354,097	10	10,405.73	10,405.73
iv) Petronet LNG Limited	93,750,000	10	987.50	987.50
2. Equity Shares (Unquoted)				
i) Pawan Hans Helicopter Limited	24,500	10,000	245.00	245.00
ii) Petronet MHB Limited	157,841,000 (0)	10	1,578.41	0.00
iii) Oil Spill Response Limited	100	*	0.01	0.01
iv) In wholly owned subsidiary ONGC-Videsh Limited	100,000,000 (30,000,000)	100	10,000.00	3,000.00
v) Mangalore SEZ Limited	258,800 (0)	10	2.59	0.00
vi) ONGC Mangalore Petrochemicals Limited	23,000 (0)	10	0.23	0.00
vi) ONGC Petro Additions Limited	20,967 (0)	10	0.21	0.00
3. Oil Companies Govt. of India Special Bonds (Unquoted)				
i) 5% Oil companies' Government of India Special Bonds 2009	257,600	10,000	2,576.00	2,576.00
ii) 6.96% Government of India transferable Special Bonds 2009	698,037	10,000	6,980.37	6,980.37
iii) 7% Government of India Special Bonds 2012	851,907	10,000	8,519.07	8,519.07
TOTAL TRADE INVESTMENTS			57,466.67	48,885.23
Less: Provision for Dimunition (Petronet MHB Ltd.)			446.66	0.00
			57,020.01	48,885.23
B. NON-TRADE INVESTMENTS (Unquoted)				
12% UP State Development Loan-2011	1	500,000	0.50	0.50
TOTAL NON TRADE INVESTMENTS			0.50	0.50
GRAND TOTAL			57,020.51	48,885.73
Total Quoted Investments			27,564.78	27,564.78
Total Unquoted Investments			29,455.73	21,320.95
			57,020.51	48,885.73
Total Market value of Quoted Investments			99,798.07	133,655.24

* Pound one each, total value Rs. 6,885/-

Figures in the ( ) relate to previous year.

ओएनजीसी ONGC

SCHEDULE-9

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
INTEREST ACCRUED			
(Unsecured, Considered Good unless otherwise stated)			
Interest Accrued On			
- Investments		40.81	40.82
- Deposits with Banks\Financial Institutions		4,430.58	753.02
- Others			
- Considered Good		2,797.24	2,715.64
- Considered Doubtful		101.54	231.61
		7,370.17	3,741.09
Less: Provision		101.54	231.61
TOTAL		7,268.63	3,509.48

SCHEDULE-10

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
INVENTORIES			
(Valuation as per Accounting Policy no. 11, as certified by the Management)			
Finished Goods		3,635.80	3,832.86
Stores and spare parts			
- on hand	27,112.73		22,998.84
- in transit (including inter-project transfers)	2,995.49		3,376.79
	30,108.22		26,375.63
Less: Provision for Non-Moving Inventories and Materials in transit	3,567.21		2,742.15
		26,541.01	23,633.48
Unservicable Items		160.97	176.46
TOTAL		30,337.58	27,642.80

SCHEDULE-11

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
SUNDRY DEBTORS		
(Unsecured, Considered Good unless otherwise stated)		
Debts - Outstanding for a period exceeding six months :		
- Considered Good	3,286.09	2,598.73
- Considered Doubtful	2,935.10	2,943.63
Other debts :		
- Considered Good	24,308.31	34,444.03
- Considered Doubtful	215.40	71.36
	30,744.90	40,057.75
Less: Provision for Doubtful Debts	3,150.50	3,014.99
TOTAL	27,594.40	37,042.76

SCHEDULE-12

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
A) CASH AND BANK BALANCES		
Cash balance on hand	12.61	17.76
Balances with Scheduled Banks in:		
Current Accounts	216.59	6,956.57
Fixed Deposits	136,430.87	35,794.67
Balances with Non-Scheduled Banks in:		
Current Account with Commerz Bank - Frankfurt (Maximum balance outstanding at any time during the year Rs. 2.97 million. Previous year Rs. 2.89 million)	2.97	2.78
Current Account with Citi Bank- London (Maximum balance outstanding at any time during the year Rs. 397.73 million. Previous year Rs. 66.54 million)	42.04	20.87
TOTAL	136,705.08	42,792.65
B) Deposit with Scheduled Bank Under Site Restoration Fund Scheme*	58,102.86	45,335.56

*Deposited u/s 33ABA of the Income Tax Act, 1961 and could be withdrawn only for the purposes specified in the scheme.

SCHEDULE-13

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
LOANS AND ADVANCES				
Loans to Public Sector Undertakings and Other Body Corporate		529.92		3,439.14
Loans and Advances to Subsidiaries		145,998.90		170,175.74
Advance for Purchase of Shares		0.94		7,297.88
Loans and Advances to Employees*		7,316.72		7,402.07
Advances Recoverable in Cash or in Kind or for Value to be received		15,094.50		10,126.05
Recoverable from Petroleum Planning & Analysis Cell (PPAC)		476.81		476.81
Insurance Claims		286.89		941.33
Deposits:				
a) With Customs/Port Trusts etc.		97.76		53.23
c) Others		6,136.14		3,176.55
		175,938.58		203,088.80
Less : Provision for Doubtful Claims/advances		2,383.52		2,953.45
		173,555.06		200,135.35
Income Tax :				
Advance payment of Income Tax (Including Advance payment of Wealth Tax Rs. 24.54 million Previous year Rs. 11.89 million)	361,321.12		282,956.96	
Less: Provision (Including provision for Wealth Tax Rs. 68 million Previous year Rs. 48.00 million)	348,930.93	12,390.19	270,542.98	12,413.98
TOTAL		**185,945.25**		**212,549.33**
Particulars of loans and advances:				
Secured		6,651.12		6,824.80
Unsecured - Considered Good		179,294.13		205,724.53
- Considered Doubtful		2,383.52		2,953.45
		188,328.77		215,502.78
Less : Considered Doubtful and provided for		2,383.52		2,953.45
TOTAL		**185,945.25**		**212,549.33**

* Loans and advances to employees include an amount of Rs. 0.99 million (Previous year Rs. 1.34 million) outstanding from whole time Directors. Maximum amount outstanding during the year Rs. 1.34 million (Previous year Rs. 1.54 million).

SCHEDULE-14

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
OTHER CURRENT ASSETS				
(Unsecured, Considered Good unless otherwise stated)				
Other Accounts pending adjustments				
- Considered Good	0.35		0.21	
- Considered Doubtful	1,052.97		1,052.87	
	1,053.32		1,053.08	
Less: Provision for Doubtful Accounts	1,052.97		1,052.87	
		0.35		0.21
TOTAL		0.35		0.21

SCHEDULE-15

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
CURRENT LIABILITIES		
Sundry Creditors for Supplies / Works		
- Small Scale Industries	4.63	6.61
- Other than Small Scale Industries	39,953.14	34,622.88
Liability for Royalty/Cess/Sales tax etc.	14,556.08	8,224.00
Deposits from Suppliers, Contractors	13,984.42	7,440.52
Other Liabilities	19,551.43	14,844.32
Unclaimed Dividend *	119.40	130.97
Interest Accrued but not due on loans	0.60	0.81
TOTAL	88,169.70	65,270.11

* No amount is due for payment to Investor Education and Protection Fund

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SCHEDULE-16

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
PROVISIONS		
Gratuity	376.24	895.42
Leave	6,215.87	4,074.95
Post Retirement Medical & Terminal Benefits	9,085.45	0.00
Others	512.60	378.02
Proposed Dividend	27,805.34	28,518.68
Tax on Proposed Dividend	4,725.52	3,999.74
TOTAL	**48,721.02**	**37,866.81**

SCHEDULE-17

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Dry Docking Charges	4,741.90	2,511.81
Other Expenditure	398.74	1,151.54
TOTAL	**5,140.64**	**3,663.35**

SCHEDULE-18

(Rupees in million)

		2006-07		2005-06
SALES				
Sales		582,481.73		494,898.54
Less :				
Transfer to Exploratory Wells in Progress	28.61		5.90	
Government of India's share in Profit Petroleum	13,340.87	13,369.48	12,604.44	12,610.34
		569,112.25		482,288.20
Price Revision Arrears		10.81		155.70
TOTAL		**569,123.06**		**482,443.90**

SCHEDULE-19

(Rupees in million)

		2006-07		2005-06
OTHER INCOME				
Contractual Short Lifted Gas Receipts		56.52		165.28
Pipeline Transportation Receipts		82.13		15.07
Reimbursement from Govt. of India		0.00		1,272.23
Surplus from Gas Pool Account		11,597.86		0.00
Other Contractual Receipts		2,696.46		2,905.36
Income from Trade Investments :				
Dividend on Long term Investments				
- From subsidiaries	878.75			2,305.35
- Others	2,384.69			1,623.21
	3,263.44			3,928.56
Interest on Long Term Investments	1,210.97			949.24
		4,474.41		4,877.80
Income from Non Trade Investments :				
Interest on Long Term Investments		0.06		0.06
Interest Income on :				
Deposits with Banks/Financial Institutions	9,755.29		4,670.93	
(Tax deducted at source Rs. 1,986.56 million. Previous year Rs. 1,079.42 million)				
Loans and Advances to Subsidiaries	1,197.39		900.00	
(Tax deducted at source Rs. 268.69 million. Previous year Rs. 201.96 million)				
Loans and Advances to Employees	338.01		337.37	
Income Tax Refund	436.72		0.97	
Site Restoration Fund Deposit	3,767.30		2,354.92	
Delayed Payment from Customers and Others	725.02		103.81	
(Tax deducted at source Rs. 103.11 million. Previous year Nil)		16,219.73		8,368.00
Excess Provisions written back		1,188.47		978.09
Liabilities no longer required written back		1,019.89		677.08
Miscellaneous Receipts		4,956.46		4,226.01
TOTAL		42,291.99		23,484.98

SCHEDULE-20

(Rupees in million)

	2006-07	2005-06
(INCREASE)/DECREASE IN STOCKS (FINISHED GOODS)		
Closing Stock	3,635.60	3,832.86
Opening Stock	3,832.86	1,717.03
NET (INCREASE)/DECREASE IN STOCK	197.26	(2,115.83)

SCHEDULE-21

(Rupees in million)

	2006-07	2005-06
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Royalty	53,349.10	46,198.47
Cess	59,257.08	40,792.83
National Calamity Contingent Duty	1,148.92	1,047.73
Excise Duty on stocks (Net)	58.38	(42.12)
Sales Tax	1,378.00	5,742.93
Service Tax	123.37	76.97
Education cess	1,303.44	868.00
Octroi and Port Trust Charges	3,231.71	2,450.09
Staff Expenditure	22,918.26	12,725.12
Workover Operations	14,020.05	12,395.46
Water Injection, Desalting and Demulsification	4,161.99	3,765.91
Consumption of Raw materials, Stores and Spares	3,927.44	3,731.60
Pollution Control	2,770.97	2,671.12
Transport Expenses	2,243.62	2,144.50
Insurance	1,325.80	764.56
Power and Fuel	1,953.81	860.79
Repairs and Maintenance	7,430.07	5,504.62
Contractual payments including Hire charges etc.	4,573.72	4,694.90
Other Production Expenditure	1,737.17	1,672.58
Transportation and Freight of Products	6,459.49	5,906.64
Research and Development	863.56	1,083.70
General Administrative Expenses	13,016.66	12,428.00
Other Expenditure	3,648.69	2,812.15
TOTAL	210,901.30	170,296.55

Note: The above expenses have been classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 29 of Schedule 28.

SCHEDULE-22

(Rupees in million)

		2006-07		2005-06
DEPRECIATION, DEPLETION AND AMORTISATION				
Survey		21,118.98		15,856.81
Dry Wells		21,927.06		15,579.78
Depletion		33,868.75		29,684.36
Depreciation	32,927.99		38,527.61	
Less : Allocated to :				
Survey	862.96		722.07	
Exploratory Drilling	1,672.16		1,885.23	
Development	14,250.56		13,604.92	
Others	47.99		89.23	
	16,833.67	16,094.32	16,301.45	22,226.16
Impairment Loss				
During the year	2,000.71		923.34	
Less: Reversal during the year	343.03	1,657.68	1,248.73	(325.39)
TOTAL		94,666.79		83,021.72

SCHEDULE-23

(Rupees in million)

	2006-07	2005-06
FINANCING COSTS		
A. INTEREST		
i) On Fixed Loans		
From Oil Industry Development Board	14.65	24.76
Foreign Currency Loans	16.34	22.36
ii) On Short Term Loans from Banks	0.00	19.71
iii) On Cash Credit	43.28	90.31
iv) Others	140.71	312.51
Sub-Total	214.98	469.65
B. EXCHANGE FLUCTUATION		
Exchange variation for the year (Net)	174.79	(205.64)
Less : Capitalised	(5.02)	(34.13)
Sub-Total	179.81	(171.51)
TOTAL	394.79	298.14

SCHEDULE-24

(Rupees in million)

	2006-07	2006-07	2005-06	2005-06
PROVISIONS AND WRITE-OFFS				
PROVISIONS				
Provision for Doubtful Debts		381.13		1,835.18
Provision for Doubtful Claims/Advances		530.41		773.81
Provision for Dimunition in value of Investment		446.66		0.00
Provision against Non-Moving Inventories		835.04		343.69
Provision for Others		471.39		0.00
Sub-Total		2,664.63		2,952.68
WRITE-OFFS				
Loss on Disposal/Condemnation of Fixed Assets (Net)		33.69		48.35
Claims / Advances Written Off	133.74		339.01	
Less: Provisions	130.07		0.00	
		3.67		339.01
Inventories Written Off		404.49		82.56
Bad debts Written Off		153.38		0.00
Investments and Other Write Offs		82.48		15.05
Sub-Total		677.71		484.97
TOTAL		3,342.34		3,437.65

SCHEDULE-25

(Rupees in million)

	2006-07	2005-06
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
Statutory levies *	80.53	(50.28)
Other production, selling & distribution expenditure *	595.24	87.02
Provision for Post Retirement Employee Benefits	6,903.13	0.00
Exchange fluctuation	(2.48)	(0.29)
Depletion	(19.96)	18.19
Survey	(28.43)	0.00
Dry Wells	149.44	0.00
Impairment	71.85	0.00
Depreciation	154.66	1,532.95
TOTAL DEBIT	7,903.98	1,587.59
Sales	(86.07)	(435.18)
Interest -Others	1.31	31.70
Other Income	137.66	33.23
TOTAL CREDIT	52.90	(370.25)
NET DEBIT/(CREDIT)	7,851.08	1,957.84

* The above expenses have been classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 29 of Schedule 28.

SCHEDULE-26

(Rupees in million)

	2006-07	2005-06
EARNINGS PER EQUITY SHARE		
A) Net Profit after Tax Less:	156,429.17	144,307.78
B) Extraordinary items	4,750.61	6,405.39
C) Tax impact on Extraordinary items	(1,599.06)	(2,156.05)
D) Net Profit before Extraordinary items (net of tax)	153,277.62	140,058.44
E) Number of Shares	2,138,872,530	1,425,933,992
		(Amount in Rupees)
Basic & Diluted earnings per equity share#		
- Before extraordinary items (net of tax)- (D/E)	71.66	65.48
- After extraordinary items- (A/E)	73.14	67.47

Previous year figures have been adjusted for issue of bonus shares in the ratio of 1:2 as per Accounting Standard-20 on EPS.

SCHEDULE-27

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Conventions

The financial statements are prepared under the historical cost conventions on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP), applying the Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities, Accounting Standards issued by the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements requires estimates and assumptions which affect the reported amount of assets, liabilities, revenues and expense of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known or materialized.

3. Government Grants

Government grants for acquisition of fixed assets are initially treated as Capital Reserve and are subsequently recognized as income in the Profit & Loss Statement on a systematic basis over the useful life of the assets in the proportion in which depreciation on those assets is charged.

4. Fixed Assets

4.1 Fixed assets are stated at historical cost. Fixed assets received as donations/gifts are capitalised at assessed values with corresponding credit taken to Capital Reserve.

4.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalised.

5. Exploration, Development and Production Costs

5.1 Acquisition Cost

Acquisition cost of an oil and gas property in exploration/development stage is taken to acquisition cost under the respective category. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment, such costs are expensed. Acquisition cost of a producing oil and gas property is capitalized as Producing Property.

5.2 Survey Costs

Cost of Survey and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

5.3 Exploratory/ Development Wells in Progress

5.3.1 All acquisition costs, exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratagraphic test wells are initially capitalised as exploratory wells in progress till the time these are either transferred to producing properties on completion as per policy no. 5.4.1 or expensed in the year when determined to be dry or of no further use, as the case may be.

5.3.2 All wells under "exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.

5.3.3 All costs relating to development wells are initially capitalized as development wells in progress and transferred to producing properties on completion as per policy no. 5.4.1

5.4 Producing Properties

5.4.1 Producing properties are created in respect of an area/field having proved developed oil and gas reserves, when the well in the area/field is ready to commence commercial production.

5.4.2 Cost of temporary occupation of land, successful exploratory wells, all development wells, depreciation on related equipment, facilities and estimated future abandonment costs are capitalised and reflected as Producing Properties.

5.4.3 **Depletion of Producing Properties**

Producing properties are depleted using the "Unit of Production Method". The rate of depletion is computed with reference to area covered by individual lease/licence/asset/amortization base by considering the proved developed reserves and related capital costs incurred including estimated future abandonment costs. In case of acquisition, cost of producing properties is depleted by considering the Proved Reserves. These reserves are estimated annually by the Reserve Estimates Committee of the Company, which follows the International Reservoir Engineering Procedures.

5.5 **General Administrative Expenses**

General Administrative Expenses at Assets, Basins, Services, Regions and Headquarters are charged to Profit and Loss Account.

5.6 **Production Costs**

Production costs include pre-well head and post well head expenses including depreciation and applicable operating costs of support equipment and facilities.

5.7 **Side tracking**

5.7.1 The cost of abandoned portion of side tracked exploratory wells is charged to Profit & Loss Account as dry wells.
5.7.2 The cost of abandoned portion of side tracked development wells is considered as part of cost of development wells.
5.7.3 The cost of sidetracking in respect of existing producing wells is charged to Profit & Loss Account as work-over expenditure if it does not result into increase in Proved Developed Reserves and capitalized if it increases the Proved Developed Reserves.

6. **Impairment**

Producing Properties, Development Wells in Progress (DWIP) and Fixed Assets (incl. Capital Works in Progress) of a "Cash Generating Unit" (CGU) are reviewed for impairment at each Balance Sheet date. In case events and circumstances indicate any impairment, recoverable amount of these assets is determined. An impairment loss is recognized, whenever the carrying amount of such assets exceeds the recoverable amount by writing down such assets to their recoverable amount. The recoverable amount is its 'value in use'. In assessing value in use, the estimated future cash flows from the use of assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss / reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, is allocated to its assets on a pro-rata basis. Subsequent to Impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life on the written down value method.

7. **Abandonment Cost**

7.1 The full eventual estimated liability towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as cost of producing property and liability for abandonment cost, based on the latest technical assessment available at current costs with the Company. The same is reviewed annually.
7.2 Cost relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred as the salvage value is expected to take care of the abandonment costs.

8. **Joint Ventures**

The Company has entered into Joint Ventures in the nature of Production Sharing Contracts (PSC) with the Government of India and various bodies corporates for exploration, development and production activities.
8.1 The income, expenditure, assets and liabilities of the Jointly Controlled Assets are merged on line by line basis according to the participating interest with the similar items in the Financial Statements of the Company and adjusted for depreciation, depletion, survey, dry wells, abandonment, impairment and sidetracking in accordance with the accounting policies of the Company.
8.2 Past cost compensation and consideration for the right to commence operations received from other Joint Venture Partners are reduced from capitalised costs. The uncompensated cost continues in the Company's books as producing property/ exploratory wells in progress.
8.3 The reserves of hydrocarbons in such areas are taken in proportion to the participating interest of the Company.

9. Intangible Assets

Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

10. Investments

Long-term investments (except PSU Bonds) are valued at cost. PSU Bonds are carried at lower of face value or cost. Provision is made for any diminution, other than temporary, in the value of such investments.

11. Inventories

11.1 Finished goods (other than Sulphur) and stock in pipelines/tanks are valued at Weighted Average Cost or net realisable value whichever is lower. Sulphur is valued at net realisable value. The value of inventories includes excise duty and royalty wherever applicable.

11.2 Crude Oil in unfinished condition in flow lines / Group Gathering Stations and Natural Gas in Pipelines are not valued.

11.3 Inventory of stores and spare parts is valued at Weighted Average Cost or net realisable value whichever is lower. Provisions are made for obsolete and non moving inventories.

11.4 Unserviceable items, when determined, are valued at estimated net realizable value.

12. Revenue Recognition

12.1 Revenue from sale of products is recognized on transfer of custody to customers.

12.2 Sale of crude oil and gas produced from exploratory wells in progress is deducted from expenditure on such wells.

12.3 Sales are inclusive of all statutory levies except Value Added Tax (VAT). Any retrospective revision in prices is accounted for in the year of such revision.

12.4 Revenue in respect of the following is recognized when there is reasonable certainty regarding ultimate collection:

a. Short lifted quantity of gas.
b. Gas pipeline transportation charges and statutory duties thereon.
c. Reimbursable subsidies and grants.
d. Interest on delayed realization from customers
e. Liquidated damages from contractors/suppliers

13. Depreciation

13.1 Depreciation on fixed assets is provided for under the written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956.

13.2 Depreciation on additions/deletions during the year is provided on pro rata basis with reference to the date of additions/deletions except items of Plant and Machinery used in wells with 100% rate of depreciation and low value items not exceeding Rs. 5000/- which are fully depreciated at the time of addition.

13.3 Leasehold land is amortised over the lease period.

13.4 Depreciation on adjustments to fixed assets on account of exchange difference and price variation is provided for prospectively over the remaining useful life of such assets.

13.5 Depreciation on fixed assets (including support equipment and facilities) used for exploration, drilling activities and on related equipment and facilities is initially capitalised as part of exploration cost, development cost or producing properties and expensed/depleted as stated in policy 5 above.

14. Foreign Exchange Transactions

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated using mean exchange rate prevailing on the last day of the financial year. The loss or gain thereon and also the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account except in cases (a) where such liabilities and /or transactions relate to fixed assets/ projects and these were incurred/ entered into before 1.4.2004; (b) fixed assets acquired from a country outside India, in which case, these are adjusted to the cost of respective fixed assets.

15. Retirement Benefits

15.1 All short term employee benefits are recognized at their undiscounted amount in the accounting period in which they are incurred.

15.2 Employee Benefits under defined contribution plans comprising provident fund are recognized based on the undiscounted obligations of the company to contribute to the plan. The same is paid to a fund administered through a separate trust.

15.3 Employee benefits under defined benefit plans comprising of gratuity, leave encashment, compensated absences, post retirement medical benefits and other terminal benefits are recognized based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the Projected Unit Credit Method. Actuarial Liability in excess of respective plan assets is recognized during the year.

15.4 Provision for gratuity as per actuarial valuation is funded with a separate trust.

16. Voluntary Retirement Scheme

Expenditure on Voluntary Retirement Scheme (VRS) is charged to Profit and Loss Account.

17. Insurance claims

The company accounts for insurance claims as under :-

17.1 In case of total loss of asset by transferring, either the Carrying cost of the relevant asset or Insurance Value (subject to deductibles), whichever is lower under the head "Claims Recoverable-Insurance" on intimation to Insurer. In case insurance claim is less than carrying cost, the difference is charged to Profit and Loss Account.

17.2 In case of partial or other losses, expenditure incurred/payments made to put such assets back into use, to meet third party or other liabilities (Less policy deductibles) if any, are accounted for as "Claims Recoverable-Insurance". Insurance Policy deductibles are expensed in the year the corresponding expenditure is incurred.

17.3 As and when claims are finally received from Insurer, the difference, if any, between Claims Recoverable-Insurance and Claims received is adjusted to Profit and Loss Account.

18. Research and Development

Capital expenditure on Research and Development is capitalised under various fixed assets. Revenue expenses are charged to Profit and Loss Account, when incurred.

19. Taxes on Income

Provision for current tax is made as per the provisions of the Income Tax Act, 1961. Deferred Tax Liability / Asset resulting from 'timing difference' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

20. Borrowing Costs

Borrowing Cost specifically identified to the acquisition or construction of qualifying assets is capitalized as part of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

21. Rig Days Costs

Rig movement costs are normally booked to the next location planned for drilling. Abnormal idle rig days' costs are charged to Profit and Loss Account.

22. Deferred Revenue Expenditure

Dry docking charges of Rigs/ Multipurpose Supply Vessels (MSVs), Well Stimulation Vessels, Rig/equipment mobilization expenses and other related expenditure are considered as deferred expenditure and amortized over the period of use not exceeding five years.

23. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities, if material, are disclosed by way of notes.

SCHEDULE-28

NOTES TO ACCOUNTS

1.1 Sales Revenue in respect of Crude Oil is based on the pricing formula agreed with the customers for the period from 01.04.2002 to 31.3.2004. Pending finalisation of fresh Memorandum of Understanding with the customers, the same pricing formula has been provisionally applied from 01.04.2004 onwards.

1.2 Sales revenue in respect of Natural Gas under Administered Price Mechanism (APM) is based on the gas prices fixed on provisional basis as per directives of the Government of India (GOI), Ministry of Petroleum and Natural Gas (MoP&NG) dated 20th June, 2005 and dated 5th June, 2006.

1.3 *Purchase of condensate from joint venture has been accounted for at provisional price by applying monthly mean average FOB price* of Brent Crude from the year 2005-06 onwards pending determination of condensate price by the price expert in terms of settlement agreement.

1.4 Adjustments, if any, on account of para 1.1 to 1.3 above shall be carried out on finalization of agreement/directives. However, company does not foresee any material impact on current year's results.

2. In terms of the decision of the GOI, the company has shared under recoveries of Oil Marketing Companies (OMCs) for the year 2006-07 by allowing discount in the prices of Crude Oil, PDS kerosene and domestic LPG based on provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC) on quarterly basis to the tune of Rs. 170,238.79 million (Previous year Rs. 119,564.89 million). The net impact after adjustment of Value Added Tax (VAT) on sales revenue on the above products is Rs. 164, 281.80 million (Previous year Rs. 117,098.68 million). The company does not foresee any material impact on finalization of discount rates.

3. Surplus in Gas Pool Account aggregating Rs. 11,597.86 million has been transferred to the Company partly by way of Fixed Deposit to partly compensate its claim for higher price towards richer fraction of Gas supplied to GAIL since July, 2005.

In terms of Record Note communicated by MoP&NG vide letter dated 13.06.2007, the company has been allowed to retain the surplus so transferred. Accordingly, the said surplus amount has been accounted for under the head other income as 'Surplus from Gas Pool Account' (Schedule 19) and interest earned on fixed deposit on maturity amounting to Rs. 230.60 million has been transferred to interest income (Schedule 19).

4. The Expert Advisory Committee of the Institute of Chartered Accountants of India had issued an opinion on 31.05.2006 on a reference made earlier with regard to the treatment of costs incurred on Side Tracking and abandoned portion of wells due to Side Tracking. As per the opinion, the abandoned portion of a side tracked exploratory well was to be charged to Profit & Loss Account. Since the opinion had come after the close of the accounting period and the Company had sought certain specific clarifications, no adjustment was carried out in 2005-06 accounts in respect of cost of abandoned portion of a side tracked exploratory well. As per the past practice, the cost of abandoned portion of exploratory wells was being treated as part of exploratory well cost. During the year, the said opinion has been implemented. Accordingly, a sum of Rs. 868.22 million representing the abandoned portion of exploratory wells has been charged to Dry Wells. As a result of this change, there is reduction in exploratory wells in progress by Rs. 868.22 million with a corresponding reduction in profit.

5. During the year, the company has implemented revised Accounting Standard 15 on Employee benefits issued by the Institute of Chartered Accountants of India. Accordingly, provision for Gratuity, Leave Encashment, Compensated absence, Post Retirement Medical Benefit and other terminal benefits has been made as per the Revised Accounting Standard. The difference between the actuarial valuation as per Revised Accounting Standard 15 as on 01.04.2006 and the actuarial valuation as per erstwhile Accounting Standard 15 as on 31.03.2006 for Gratuity, Leave Encashment and Compensated Absences amounting to Rs. 375.86 million (net of deferred tax of Rs. 193.54 million) has been adjusted in the General Reserve.

Earlier, the Company had not made actuarial valuation of the Post Retirement Health and Welfare Schemes and certain other Retirement Benefits as per pre-revised AS-15 as the Company did not envisage material impact of the above benefits. Upon actuarial valuation of Post Retirement Medical benefits and Terminal Benefits as per Revised Accounting Standard 15 as on 01.04.2006, the entire amount of the benefits as on that date amounting to Rs. 6,432.53 million has been treated as prior period expenditure.

6. **Capital Commitment**

a. Estimated amount of Contracts remaining to be executed on capital account and not provided for.

i) In respect of Company- Rs. 71,742.32 million (Previous year Rs. 74,118.01 million).
ii) In respect of Joint Ventures Rs. 5,328.68 million (Previous year Rs. 5,218.26 million).

b. Minimum Work Programme Committed under various Production Sharing Contracts with Govt. of India

i) In respect of NELP blocks in which the company has 100% participating interest - Rs. 7,346.30 million (Previous year Rs. 9,439.53 million).
ii) In respect of Joint Ventures Rs. 2,526.31 million (Previous year Rs. 4,391.35 million).

7. **Contingent Liabilities:**

a. Claims against the company/ disputed tax demands not acknowledged as debts:

(Rs. in million)

			As at 31st March, 2007	As at 31st March, 2006
I	**In respect of Company:**			
	i.	Income tax matters	18,363.94	22,028.64
	ii.	Excise Duty matters	2,939.30	2,823.14
	iii.	Custom Duty matters	1,437.47	1,437.47
	iv.	Royalty	360.39	360.64
	v.	Cess	1.49	87.85
	vi	AP Mineral bearing Lands (Infrastructure) Cess	364.02	129.61
	vii.	Sales Tax	831.49	693.14
	viii.	Municipal Corporation	80.80	84.50
	ix.	Specified Land Tax (Assam)	1,046.38	735.76
	x.	Claims of contractors in Arbitration /Court	17,230.61	17,989.50
	xi.	In respect of other matters	6,170.59	6,666.15
	Sub Total		**48,826.48**	**53,036.40**
II	**In respect of Joint Ventures**			
	i.	Income tax matters	8.91	8.91
	ii.	Custom Duty matters	5,027.82	3,818.37
	iii.	Royalty	240.04	240.04
	iv.	Cess	7.76	7.76
	v.	Sales Tax	1,926.80	1,926.80
	vi.	Claim of GOI for additional Profit Petroleum	4,946.89	5,082.30
	vii.	Claims of contractors in Arbitration/Court	0.00	68.45
	viii.	In respect of other matters	1,307.11	2,865.34
	Sub Total		**13,465.33**	**14,017.97**
	TOTAL		**62,291.81**	**67,054.37**

In the opinion of the company, the above claims/demands are not tenable and are at various stages of appeal.

b) Bank Guarantees given by the Company,

i) Rs. 4,834.70 million (Previous year Rs. 358.15 million) including Rs. 3,803.70 million (Previous year Rs. Nil) for NELP Blocks where the company has 100% participating interest
ii) In respect of Joint Ventures-Rs. 573.20 million (Previous year Rs. Nil)

c) Corporate Guarantees executed by the company on behalf of its wholly owned subsidiary, ONGC Videsh Limited (OVL) and ONGBV (wholly owned subsidiary of OVL):-

A. Guarantees executed for financial obligations:

i) Amount of Guarantee Rs. 33,353.41 million (Previous year Rs. 158,851.66 million)
ii) Amount of Guarantee Outstanding Rs. 2,312.57 million (Previous year Rs. 12,165.41 million)

B. Performance Guarantees executed under the contracts:

i) Guarantee executed jointly with CNPC in favour of Petro Canada Germany GmBH (Seller) for the performance of obligation under sale agreement for acquiring seller share in Petro Canada Nina GmBH for acquisition of interest in Syrian operations, without any financial ceiling.

ii) Guarantee executed in favour of Petrobras & Shell Brazil as a part of acquisition of 15% Participating Interest in Block BC-10 Brazil by ONGBV, a subsidiary of OVL for fulfillment of obligation under concession contract and joint venture documents without any financial ceiling.

iii) Guarantee in respect of Sakhalin Project in favour of Exxonneftgas Ltd., M/s. Roseneft-S, SMNG-S towards performance of Company's obligation under assignment agreement, carry finance agreement and JOA without any financial ceiling.

d) Corporate Guarantees executed by the company on behalf of its subsidiary, MRPL: -

i) Amount of Guarantee Rs. 13,475.70 million (Previous year Rs. 10,003.84 million)

ii) Amount Outstanding Rs. 5,273.35 million (Previous year Rs. 5,669.59 million)

8. Sales Revenue and Purchases include Rs. 59,473.48 million (Previous year Rs. 34,388.86 million) and Rs. 59,401.05 million (Previous year Rs. 34,337.97 million) respectively on account of trading of products of a subsidiary i.e. Mangalore Refinery and Petrochemicals Limited (MRPL).

9. During the year, the State Govt. of Gujarat and Tamilnadu have introduced Value Added Tax (VAT). In accordance with the Guidance Note on Accounting for State Level VAT, VAT Collected amounting to Rs. 8,447.10 million has not been included in Sales Revenue. Similarly VAT paid has not been treated as an expense. As a result thereof, sales revenue as well as sales tax for the year is not comparable with those of previous year. This has no impact on the profit for the year.

10. During the year 2005-06, BHN Platform in Mumbai High Field was totally destroyed. The accident had also resulted in damage/loss to an adjacent platform, certain other assets and a Multi Purpose Vessel, Samudra Suraksha. The company had received the claim towards the platform in 2005-06. Remaining claims including debris removal were settled during the year on lump sum un-repaired damages/ over all settlement basis in terms of insurance policy. In terms of Accounting Policy No. 17, the claim recoverable, claim received and extra ordinary income accounted for are as below:

(Rs. in million)

Particulars	Current Year	Previous Year
Claim received towards losses and un-repaired damages	6,916.52	8,154.23
Claim received towards debris removal	1,767.80	0.00
Total	**8,684.32**	**8,154.23**
Claim recoverable towards losses and un-repaired damages	1,212.43	1,748.84
Estimated cost towards Debris removal	2,721.28	0.00
Extra Ordinary Income	4,750.61	6,405.39
Total	**8,684.32**	**8,154.23**

The estimated cost of partial removal of debris has been provided for keeping in view of operational and other requirements on the basis of in-house technical assessment and methodology and the same is included in the liability for abandonment costs.

11. In terms of the Accounting Policy No. 7 of Schedule 27, the Company has been recognising the estimated eventual liability towards costs relating to dismantling, abandoning and restoring Offshore Well Sites and allied facilities, based on the latest technical assessment at current costs available with the Company, as cost of Producing Properties and has been providing Depletion thereon under 'Unit of Production' Method as part of Producing Properties in line with the Guidance Note on Accounting of Oil & Gas Producing Activities issued by ICAI. During the year, the Company has reviewed the earlier estimates and revised the same. Accordingly, an additional amount of Rs. 16,774.79 million has been recognised as estimated liability towards abandonment with corresponding increase in producing properties. This has resulted in increase in depletion for the year with corresponding reduction in profit by Rs. 1,849.92 million.

12. The Company had paid Rs. 6,914.47 million (Euro 128.05 million) to ONGC Nile Ganga BV (ONGBV), a subsidiary of ONGC Videsh Ltd., (OVL) in 2005-06 as an advance for acquiring 55 % Class "C" Shares for acquisition of interest in Syrian Assets. The company had also paid interest bearing Loan of Rs. 2,885.82 million (USD 64.62 million) to ONGC Mittal Energy Limited (OMEL), a Joint Venture between Mittal Investment Sarl and OVL for acquiring balance 45% of the 'C' Class shares. During the year, the interest in the Syrian assets has been transferred to OVL retrospectively from the economic date of acquisition i.e. 01.07.2005. Pending execution of the requisite agreements and obtaining required approvals for the same, the above advance and the loan have been treated as Loan to OVL & the interest income on loan to OMEL amounting to Rs. 30.12 million accounted for in 2005-06, has been reversed.

13. The Company is mainly in the oil exploration and production activities where each cost centre used for depreciation (depletion) purposes has been identified as independent Cash Generating Unit (CGU) for assessing the impairment in Producing Properties and fixed assets etc. on the basis of 'value in use'. The Company has tested all its assets for impairment by applying discount rates of 15.07% (Previous year 14.24%) for Rupee transactions and 11.59% (Previous year 11.13%) for crude oil and value added products revenue measured in USD as on 31.03.2007.

During the year, Rs. 2,072.56 million (Previous year Rs. 923.34 million) has been provided for as impairment loss in respect of six CGUs (Previous year six CGUs) namely Ratna, Jodhpur, DVP Jorhat, Silchar, Agartala and CB-ON-7. Out of these, five CGUs namely *Ratna, Jodhpur, DVP Jorhat, Silchar and Agartala which are mainly gas fields were impaired earlier also. However, there is a write* back of impairment loss of Rs. 343.03 million in respect of Gauri field of CB-OS-2 Block due to increase in price.

14. In 2005-06 the company had changed the rate of Depreciation on all Trunk Pipelines and Onshore Flow lines (assets below ground) from 27.82% to 100% based on technical assessment by the management. The company has made a reference to the Ministry of Corporate Affairs for confirmation of the rate of depreciation. Pending clarification by the Ministry, the company continues to charge depreciation at 100% on such assets.

15. The item-wise details of Net Deferred Tax Liability as on 31st March, 2007 accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income" amounting to Rs. 65,227.44 million (Previous year Rs. 63,551.33 million) are as under:

(Rs. in million)

Particulars	As on 31st March, 2007	As on 31st March, 2006
(i) Liabilities		
Depletion of Producing Properties	100,242.78	92,574.64
Depreciation Allocated to Wells in Progress & Expenses relating to NELP	4,405.43	3,354.39
Deferred Revenue Expenditure written off	1,747.30	2,290.66
Development Wells-in-Progress	2,957.89	1,233.08
Others	836.75	434.88
Total (i)	**110,190.15**	**99,887.65**
(ii) Assets		
Depreciation	1,420.18	136.50
Dry wells written off	2,769.03	3,937.05
Provision for Non Moving Inventories	1,408.09	1,074.48
Provision for Doubtful Debts/Claims/Advances/ Interest	2,071.36	2,245.49
Provision for Abandonment	30,415.13	27,204.27
Provision for Leave Encashment	2,112.78	1,371.63
Provision for Post Retd. Medical & Terminal benefits	3,088.14	0.00
Others	1,678.00	366.90
Total (ii)	**44,962.71**	**36,336.32**
Deferred Tax Liability (Net)(i - ii)	**65,227.44**	**63,551.33**

16. Loans and Advances (Schedule-13) include:

(Rs. in million)

		Loans & Advances in the Nature of Loans	
		Outstanding as on 31.03.2007	**Maximum Amount Outstanding during the year**
a)	**Loans to Subsidiaries**		
	ONGC Videsh Limited (OVL)- Wholly owned subsidiary	130,941.59 (154,769.52)	176,312.86 (154,769.52)
	Mangalore Refinery & Petrochemicals Ltd.(MRPL)	15,000.00 (15,000.00)	15,000.00 (15,000.00)
b)	Loans and advance to ONGC Mittal Energy Limited (OMEL), JV Partner of OVL	- (2,885.82)	2,885.82 (2,885.82)
c)	Loans to employees having repayment schedule of more than seven years	6,651.12 (6,824.80)	6,824.80 (6,876.03)

Notes:

1. Loans to OVL-wholly owned subsidiary carries interest @ 0.10% p.a. and repayable with a notice period of minimum one year.
2. Loan to MRPL carries interest @ 7% per annum payable at quarterly intervals. In view of the prepayment of loan installments in earlier years, balance loan is repayable over a period of 5 years in quarterly installments, commencing from 2009-10. However, Company can recall this loan on a notice of 90 days and MRPL can also prepay whole or part of the loan, as per their convenience.
3. The Company has not advanced any money to its employees for the purposes of investment in the securities of the Company.

17. In terms of Section 22 of the Micro, Small and Medium Enterprises Development Act 2006, the outstanding to these enterprises are required to be disclosed. However, these enterprises are required to be registered under the Act. In the absence of the information about registration of the Enterprises under the above Act, the required information could not be furnished.

The names of the Small Scale Industrial Undertakings so far ascertained having outstandings for more than 30 days from the Company are M/s Porwa Tar products (P) Ltd. Raipur, M/s. Doshi Ion Exchange & Chem Ind. Ltd., Mumbai and M/s Tiki Tar Industries, Vadodara.

18. Since the Company has prepared the Consolidated Financial Statements as per Accounting Standard (AS)-21, segment information has been presented in the Consolidated Financial Statements.

19. The Company has a system of physical verification of Inventory, Fixed Assets and Capital Stores in a phased manner at regular intervals with general ledger balances. Adjustment of differences, if any, is carried out in books of account after examination of these differences.

20. Some of the Balances of Debtors, Creditors and Loans & Advances are subject to confirmation/reconciliation. Adjustments, if any, will be accounted for on receipt / confirmation of the same after examination.

21. The Company has agreed to contribute Rs. 4,000 million (included in staff expenditure under Schedule 21) out of past distributable profits and Rs. 1,700 million per year in the next 4 years to the superannuation fund under Post Retirement Benefit Scheme (PRBS) of the employees of the Company, out of future distributable profits payable to the employees, to meet the projected deficit of the fund.

22. As per the Production Sharing Contracts signed by the company with the Govt. of India, the company is required to complete Minimum Work Programme (MWP) within stipulated time. In case of delay in completion of the MWP, Liquidated Damages (LD) are payable for extension of time. Further in case of inability to complete MWP or surrender of block without completing the MWP, the estimated cost of completing balance work programme is to be paid to the Govt. The LD amounting to Rs. 683 million and cost of unfinished MWP of Rs. 3,844.80 million paid or payable for the year to the Govt. has been included in survey expenditure and drywells respectively under recouped cost in Schedule 22.

23. Pay Revision of Officers and Unionized category is due w.e.f. 1.1.2007. Pending finalization, the liability in this regard is not ascertainable.

24. Joint Venture Accounting:

24.1 Jointly Controlled Assets

The Company has entered into Production Sharing Contracts (PSCs) and Joint Ventures (JVs) in respect of certain properties with the Government of India and some bodies corporate. Details of these PSCs/ JVs are as under:

Sl. No.	Joint Ventures / PSCs	Company's PI *	Operatorship/ Others Partners PI **
A	**Jointly Operated JVs**		
1	Mid & South Tapti	40% (40%)	BGEPIL -30%, RIL -30%
2	Panna & Mukta	40% (40%)	BGEPIL -30%, RIL -30%
B	**Non-Operated JVs**		
3	Ravva	40% (40%)	CEIL **(Operator)** -22.5% Petrocon India Ltd. -25% Ravva Oil (Singapore) Pte. Ltd. -12.5%
4	CY-OS-90/1 (PY3)	40%(40%)	Hardy Exploration & Production (India) Inc. **(Operator)** - 18% HOEC -21%, TPL -21%
5	RJ-ON-90/1	30% (30%)	CEIL **(Operator)** -35% Cairn Energy Hydrocarbons Ltd. -35%
6	CB-OS/2-Expl. Phase CB-OS/2-Dev. Phase	25%(25%) 50%(50%)	Cairn Energy Group **(Operator)** -60% TPL -15% Cairn Energy Group **(Operator)** -40% TPL -10%
7	CB-ON/7	30%(30%)	HOEC **(Operator)** -35%, GSPC -35%
8	GK-OSJ-3	25%(25%)	RIL **(Operator)** -60%, OIL -15%
9	MN-ONN-2000/1	20%(20%)	OIL **(Operator)** -40%, GAIL -20% IOC -20%
10	RJ-ONN-2001/1	30%(30%)	OIL **(Operator)** -70%
11	RJ-ONN-2002/1	40%(40%)	OIL **(Operator)** -60%
12	AA-ONN-2002/3	70%(70%)	OIL **(Operator)** -30%
13	GV-ONN-2003/1	51%(51%)	CEIL **(Operator)** -49%
14	VN-ONN-2003/1	51%(51%)	CEIL **(Operator)** -49%
15	RJ-ONN-2003/1	36%(36%)	ENI **(Operator)** -34% Cairn Exploration -30%
16	AN-DWN-2003/2	45%(45%)	ENI **(Operator)** -40% GAIL -15%
17	PR-OSN-2004/1	35% (-)	Cairn Energy **(Operator)** -10% Cairn India -25% Tata -30%
C	**ONGC Operated JVs**		
18	Jharia (JH)	90% (90%)	CIL -10%
19	Raniganj (JG)	74% (74%)	CIL -26%
20	CB-OS/1	32.89%(32.89%)	TPL -10%, HOEC -57.11%
21	GV-ONN-97/1	40% (40%)	IOC -30%, CEIL -30%
22	KG-DWN-98/4	85% (85%)	OIL -15%
23	MN-OSN-97/3	85% (85%)	GAIL -15%
24	KG-DWN-98/2	90% (90%)	CEIL -10%
25	MB-OSN-2000/1	75% (75%)	IOC -15%, GSPC -10%

26	MN-OSN-2000/2	40% (40%)	GAIL -20%, IOC -20%, OIL -20%
27	WB-OSN-2000/1	85% (85%)	IOC -15%
28	AA-ONN-2001/2	80% (80%)	IOC -20%
29	AA-ONN-2001/3	85% (85%)	OIL -15%
30	CY-DWN-2001/1	80% (80%)	OIL -20%
31	CB-ONN-2001/1	70% (70%)	CEIL -30%
32	NK-CBM-2001/1(JE)	80% (80%)	IOC -20%
33	MN-DWN-2002/1	70% (70%)	OIL -20% , BPCL -10%
34	CB-ONN-2002/1	70% (70%)	CEIL -30%
35	BK-CBM-2001/1	80% (80%)	IOC -20%
36	KK-DWN-2002/2	80% (80%)	HPCL -20%
37	KK-DWN-2002/3	80% (80%)	HPCL -20%
38	KG-DWN-2002/1	70% (70%)	OIL -20%, BPCL -10%
39	CY-ONN-2002/2	60% (60%)	BPCL -40%
40	BS(3)-CBM-2003/II (NU)	70% (70%)	GSPC -30%
41	AA-ONN-2002/4	90% (90%)	OIL -10%
42	GS-OSN-2003/1	51% (51%)	CEIL -49%
43	CY-DWN-2004/1	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
44	CY-DWN-2004/2	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
45	CY-DWN-2004/3	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
46	CY-DWN-2004/4	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
47	CY-PR-DWN-2004/1	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
48	CY-PR-DWN-2004/2	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
49	KG-OSN-2004/1	55% (-)	BGEP -45%
50	KG-DWN-2004/1	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
51	KG-DWN-2004/2	60% (-)	GSPC -10%, HPCL -10%, GAIL -10% BPCL -10%
52	KG-DWN-2004/3	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
53	KG-DWN-2004/5	50% (-)	GSPC -10%, HPCL -10%, GAIL -10% OIL -10%, BPCL -10%
54	KG-DWN-2004/6	60% (-)	GSPC -10%, HPCL -10%, GAIL -10% OIL -10%
55	CY-ONN-2004/1	80% (-)	BPCL -20%
56	CY-ONN-2004/2	80% (-)	BPCL -20%
57	KK-DWN-2004/1	45% (-)	CAIRN -40%, TATA -15%
58	CB-ONN-2004/1	50% (-)	GSPC -40%, HERA-MEC -10%
59	CB-ONN-2004/2	50% (-)	GSPC -40%, SUNTERA RES. -10%
60	CB-ONN-2004/3	40% (-)	GSPC- 35%, ENSEARCH -25%
61	CB-ONN-2004/4	50% (-)	GSPC -40%, HERAMEC -10%

* PI - Participating Interest

** There is no change in previous years figures unless otherwise stated. When previous years figures are nil in company's PI, the previous years figures of other partners PI is also nil.

Abbreviations:- BGEPIL- British Gas Exploration & Production India Ltd., BPCL-Bharat Petroleum Corporation Ltd., CEIL-Cairn Energy India Ltd, CIL-Coal India Ltd., GAIL-GAIL (India) Ltd., GSPC-Gujarat State Petroleum Corporation Ltd., HOEC- Hindustan Oil Exploration Co. Ltd., HPCL- Hindustan Petroleum Corporation Ltd, OIL -Oil India Ltd., IOC- Indian Oil Corporation Ltd., RIL- Reliance Industries Ltd., TPL-Tata Petrodyne Ltd.

24.1.1 The company has entered into 61 joint ventures (Previous year 45) for exploration and production. As at the end of the year, the company's share in the total value of assets, liabilities, income, expenditure and net profit before tax of these joint ventures amounts to Rs. 51,873.85 million (Previous year Rs. 41,427.25 million), Rs. 17,546.89 million (Previous year Rs. 11,839.27 million), Rs. 46,479.07 million (Previous year Rs. 38,259.03 million), Rs. 31,320.52 million (Previous year Rs. 27,778.70 million) and Rs. 15,158.55 million (Previous year Rs. 10,480.33 million) respectively.

24.1.2 The Company has entered into Production Sharing Contracts with Govt. of India in respect of 29 New Exploration Licensing Policy (NELP) blocks (Previous year 29) where the company has 100% participating Interest. The total value of assets, liabilities, income, expenditure and loss before tax of these NELP blocks amounts to Rs. 519.23 million (Previous year Rs. 94.99 million), Rs. 146.87 million (Previous year Rs. 29.87 million), Rs. 0.10 million (Previous year Rs. 4.16 million), Rs. 6,906.50 million (Previous year Rs. 6,125.99 million) and Rs. 6,906.40 million (Previous year Rs. 6,121.82 million) respectively.

24.1.3 Total value of assets, liabilities, income, expenditure and loss before tax in respect of 12 blocks (including 2 blocks surrendered in the earlier years) surrendered till end of the year amounts to Rs. 46.00 million, Rs. 882.86 million, Rs. 1.89 million, Rs. 2,632.74 million and Rs. 2,630.85 million respectively. List of the blocks surrendered is given below:

Sl. No.	Joint Ventures / PSCs	Company's PI	Operatorship/ Others Partners' PI
1	KK-OSN-2000/1	100%	
2	KK-DWN-2000/2	85% (85%)	GAIL-15%
3	KK-DWN-2000/4	100%	
4	GS-DWN-2000/1	100%	
5	GS-DWN-2000/2	85% (85%)	GAIL-15%
6	MB-OSN-97/4	70% (70%)	IOC-30%
7	MB-DWN-2000/1	85% (85%)	IOC-15%
8	MB-DWN-2000/2	50% (50%)	IOC-15%, GAIL-15%, OIL-10%, GSPC-10%
9	CY-OSN-2000/1	100%	
10	CY-OSN-2000/2	100%	
11	MN-OSN-2000/1	100%	
12	GK-OSJ-1	25% (75%)	RIL-50%, Tullow India Operations Ltd. -25%

24.1.4 The financial statements of 75 out of 102 JVs/NELP as per para no. 24.1.1 to 24.1.3 have been incorporated in the accounts by the company to the extent of company's participating interest in assets, liabilities, expenditure, income and profit (loss) before tax on the basis of statements certified in accordance with production sharing contract and the same has been adjusted for changes as per accounting policy no. 8.1.

In respect of balance 27 (Previous year 7) JVs/NELP (including 20 JV/ NELP awarded during the fag end of the year) assets, liabilities, Income and expenditure amounting to Rs. 11.20 million (Previous year Rs. 2,004.98 million), Rs. 15.18 million (Previous year Rs. 1,771.16 million), Nil (Previous year Rs. 7.86 million) and Rs. 112.51 million (Previous year Rs. 147.09 million) respectively have been incorporated on the basis of uncertified statements prepared under the production sharing contracts.

24.2 Jointly Controlled Entities:

a) The company has following jointly controlled entities:

Name	Country of Incorporation	Ownership Interest (%)	
		31.03.2007	31.03.2006
Petronet LNG Ltd.	India	12.50	12.50
Petronet MHB Ltd.	India	28.76	-
Mangalore SEZ Ltd.	India	26.00	-
ONGC Managalore Petrochemicals Ltd.	India	46.00	-
ONGC Petro Additions Ltd.	India	41.93	-

b) The Company's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities are as under:

(Rs. in million)

Description	31.03.2007	31.03.2006
i) Assets		
- Long Term Assets	4,061.50	2,328.42
- Investments	347.51	196.12
- Current Assets	1,486.39	681.47
- Deferred Tax Assets	188.65	0.00
ii) Liabilities		
- Current Liabilities & Provisions	787.61	215.59
- Other Liabilities	2,178.46	1,574.86
iii) Income	7,040.49	4,820.77
iv) Expenses	6,500.73	4,451.97
v) Contingent Liabilities	11,218.58	878.62
vi) Capital Commitments	738.31	1,370.72
vii) Deferred Tax Liabilities	309.00	75.63

25. Information as per Accounting Standard (AS-18) on Related Party Disclosures is given below:

a) Name of Related parties and description of relationship (excluding with State Controlled Entities) : -

Joint Ventures	Ravva	GK-OSJ-3
	PY-3	GV-ONN-97/1
	Panna, Mukta & Tapti	KG-DWN-98/2
	Petronet LNG Ltd.	CB-ONN-2001/1
	CB-OS-1	CB-ONN-2002/1
	CB-OS-2	RJ-ON-90/1
	CB-ON/7	GV-ONN-2003/1
	VN-ONN-2003/1	RJ-ONN-2003/1
	AN-DWN-2003/II	GS-OSN-2003/1
	KK-DWN-2004/1	Mangalore SEZ Ltd.
	ONGC Managalore Petrochemicals Ltd.	ONGC Petro Additions Ltd.

b) Key Management Personnel: -

Functional Directors:

i) Shri R.S. Sharma (holding additional charge of CMD w.e.f. 25.05.2006)
ii) Shri Subir Raha, CMD (Upto 24.05.2006)
iii) Dr. A. K. Balyan
iv) Shri A.K. Hazarika
v) Shri N.K. Mitra
vi) Shri. U. N. Bose
vii) Shri. D.K. Pande

Details of Transactions

(Rs. in million)

Particulars	Joint Ventures	Jointly Controlled Entity	Key Management Personnel	Total
Amount paid /payable for Oil Transfer Services (Ravva)	- (19.71)			- (19.71)
Amount received for use of Drill Site Accommodation (Ravva)	46.68 (9.68)			46.68 (9.68)
Receipt towards Processing Charges (Panna Mukta)	425.98 (1,267.93)			425.98 (1,267.93)
Receipt towards transportation Charges (Panna Mukta Tapti Tpt. Charges)	1,004.05 (1,133.26)			1,004.05 (1,133.26)
Amount paid for differential processing losses for Panna Mukta gas	- (657.12)			- (657.12)
Amount received for substituted gas (Panna Mukta)	- (514.03)			- (514.03)
Amount paid for purchase of Tapti Condensate	2,944.82 (2,490.03)			2,944.82 (2,490.03)
Amount received towards charges for Gas Metering Station from Panna Mukta JV	34.50 (-)			34.50 (-)
Pre operative Expenditure on behalf of ONGC Petro Additions Ltd., (OPAL)		123.52		123.52
Remuneration to Directors* (As per 'b' above)			9.05 (8.69)	9.05 (8.69)
Amount Outstanding - Panna Mukta JV/ OPAL	(-)18.49 (6.54)	123.52		105.03 (6.54)
Amount Outstanding			0.99 (1.34)	0.99 (1.34)

* The remuneration does not include provision for post retirement benefits under Revised Accounting Standard 15, since the same is not available for individual employees.

26. The year end foreign currency exposures that have not been hedged by derivative instrument or otherwise are given below:-

(Figures in million)

Sl No.	Particulars	Amount in Foreign Currency		Equivalent Rupees	
		31.03.2007	31.03.2006	31.03.2007	31.03.2006
1	**Loans** SBI-Newyork (JPY)	1,337.66	1,749.22	493.73	665.40
2	**Import Creditors**				
	AUD	0.31	6.92	10.83	221.52
	CHF	0.05	0.04	1.83	1.43
	DKK	0.00	25.03	0.02	182.25
	EUR	6.16	2.51	357.29	136.52
	GBP	0.94	0.85	80.80	66.07
	JPY	34.94	17.31	12.90	6.59
	NOK	0.64	0.32	4.55	2.21
	SGD	0.27	0.00	7.86	0.05
	USD	273.84	323.36	11,903.98	14,441.15
	Total			12,380.06	15,057.79
3	**Export Receivables**				
	USD	44.61	99.67	1,939.19	4,451.08

The above disclosure have been made consequent to an announcement by the Institute of Chartered Accountants of India in December 2005.

27. **The required disclosure under the Revised Accounting Standard 15 is given below:**

(A) Brief Description: A general description of the type of Defined Benefit Plans is as follows:

(i) **Earned Leave (EL) Benefit**

Accrual-30 days per year.
Encashment while in service-75% of Earned Leave balance subject to a maximum of 90 days per calendar year.
Encashment on retirement-maximum 300 days.

(ii) **Good Health Reward (Half pay leave)**

Accrual-20 days per year.
Encashment while in service-Nil.
Encashment on retirement-25% of Half Pay Leave balance subject to a minimum balance of 120 days, restricted to maximum 480 days.

(iii) **Gratuity**

15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to Rs. 3.50 Lakhs.

(iv) **Post Retirement Medical Benefits**

Upon payment of one time prescribed contribution by the employees, full medical benefits on superannuation & on voluntary retirement subject to the completion of minimum 20 years of service and 50 years of age.

(v) **Terminal Benefits**

At the time of superannuation, employees are entitled to settle at a place of their choice and they are eligible for Transfer Traveling Allowance. Employees are gifted a silver plaque also depending upon their level.

(B) The amount recognized as an expense for defined contribution plans are as under:

(Rs. in million)

Defined Contribution Plan	Expense Recognised during 2006-07	Contribution for Key Management Personnel
Contributory Provident Fund	1,221.29	0.44
Employee Pension Scheme-95	215.61	0.04
Composite Social Security Scheme	571.04	0.10

(C) The amount recognized in the balance sheet for post employment benefit plans are as under:

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Present Value of Funded Obligation	7,253.87	-	-	-
2	Fair Value of Plan Assets	6,877.64	-	-	-
3	Present Value of Unfunded Obligation	-	6,215.87	8,685.93	399.52
4	Unrecognised Past Service Cost	-	-	-	-
5	Net Liability	376.24	6,215.87	8,685.93	399.52

(D) The amount included in the fair value of plan assets of gratuity fund are as follows:

(Rs. in million)

Defined Contribution Plan	Expense Recognised during 2006-07
Reporting Enterprise's own financial instruments	Nil
Any Property occupied by, or other assets used by the reporting enterprise	Nil

(E) Reconciliation showing the movements during the period in the net liability recognized in the balance sheet:

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Opening defined benefit obligation	6,894.90	4,962.32	6,216.40	216.14
2	Service Cost	332.30	362.12	202.69	18.09
3	Interest Cost	551.59	371.54	497.31	17.30
4	Actuarial losses (gains)	(159.09)	1,289.07	2,053.97	159.21
5	Exchange differences on foreign plans	-	-	-	-
6	Benefits paid	(365.83)	(769.18)	(284.44)	(11.22)
7	Closing defined benefit obligation	7,253.87	6,215.87	8,685.93	399.52

(F) The total expense recognized in the statement of profit and loss are as follows:

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Current Service Cost	332.30	362.12	202.69	18.09
2	Interest on Obligation	551.59	371.54	497.31	17.30
3	Expected return on plan assets	(510.39)	-	-	-
4	Net actuarial Losses / (Gains) recognized in year	(149.89)	1,289.07	2,053.97	159.21
5	Past Service Cost	-	-	-	-
6	Losses (Gains) on curtailments and settlement	-	-	-	-
7	Total included in 'employee benefit expense'.	223.61	2,022.73	2,753.97	194.60
8	Actual return on plan assets	501.20	-	-	-

(G) Principal actuarial assumption at the balance sheet date (expressed as weighted averages):

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Discount rate	8%	8%	8%	8%
2	Expected return on plan assets	7.57%	-	-	-
3	Annual increase in healthcare costs	-	-	5.50 %	-
4	Annual Increase in Salary	5.5%	5.5%	-	-

28. Details of Oil and Gas Reserves (as determined by Reserve Estimates Committee)

a. Company's share of Proved Reserves on the geographical basis is as under:

Details		Crude Oil (MMT)*		Gas (Billion Cubic Meter)		Total Oil Equivalent (MMT)**	
		As on 31.03.2007	As on 31.03.2006	As on 31.03.2007	As on 31.03.2006	As on 31.03.2007	As on 31.03.2006
Offshore	**Opening**	211.750	227.930	160.530	177.637	372.280	405.567
	Addition	29.900	1.920	43.932	2.249	73.832	4.169
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	19.910	18.100	19.061	19.356	38.971	37.456
	Closing	221.740	211.750	185.401	160.530	407.141	372.280
Onshore	**Opening**	191.550	194.050	153.315	154.850	344.865	348.900
	Addition	2.630	5.590	3.408	4.127	6.038	9.717
	Deduction						
	Sale/Transfer	-	-	-	0.051	-	0.051
	Production	8.030	8.090	5.818	5.611	13.848	13.701
	Closing	186.150	191.550	150.905	153.315	337.055	344.865
Total	**Opening**	403.300	421.980	313.845	332.487	717.145	754.467
	Addition	32.530	7.510	47.340	6.375	79.870	13.886
	Deduction						
	Sale/Transfer	-	-	-	0.051	-	0.051
	Production	27.940	26.190	24.879	24.967	52.819	51.157
	Closing	407.890	403.300	336.306	313.845	744.196	717.145

b. Company's share of Proved and Developed Reserves on the geographical basis is as under:

Details		Crude Oil (MMT)*		Gas (Billion Cubic Meter)		Total Oil Equivalent (MMT)**	
		As on 31.03.2007	As on 31.03.2006	As on 31.03.2007	As on 31.03.2006	As on 31.03.2007	As on 31.03.2006
Offshore	**Opening**	192.850	193.580	113.592	126.539	306.442	320.119
	Addition	18.410	17.370	34.185	6.409	52.573	23.779
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	19.910	18.100	19.024	19.356	38.934	37.456
	Closing	191.350	192.850	128.753	113.592	320.103	306.442
Onshore	**Opening**	148.870	152.870	117.435	120.087	266.305	272.957
	Addition	4.030	4.090	2.585	2.959	6.615	7.049
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	7.910	8.090	5.628	5.611	13.538	13.701
	Closing	144.990	148.870	114.392	117.435	259.382	266.305
Total	**Opening**	341.720	346.450	231.027	246.626	572.747	593.076
	Addition	22.440	21.460	36.749	9.368	59.189	30.828
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	27.820	26.190	24.652	24.967	52.472	51.157
	Closing	336.340	341.720	243.145	231.027	579.485	572.747

* Crude includes oil condensate

** For calculating OEG 1000 M3 of Gas has been taken to be equal to 1 MT of Crude Oil. Variations in totals, if any, are due to internal summation and rounding off.

29. DETAILS OF EXPENDITURE

Details of expenditure incurred on natural heads and its allocation is as under :

(Rupees in million)

	2006-07		2005-06
Manpower Cost:			
(a) Salaries, Wages, Ex-gratia etc.	**32,411.69**		24,236.68
(b) Contribution to Provident and other funds	**2,008.42**		1,514.00
(c) Provision for gratuity	**376.24**		895.42
(d) Provision for leave	**2,340.70**		1,462.64
(e) Provision for Post Retirement Medical & Terminal Benefits	**9,085.45**		-
(f) Staff welfare expenses	**2,610.84**	**48,833.34**	2,038.35
Consumption of Raw materials, Stores and Spares		**16,111.57**	16,312.06
Cess		**59,260.31**	40,804.29
National Calamity Contingent Duty - Crude Oil		**1,149.09**	1,047.73
Excise Duty		**2,767.32**	2,686.90
Royalty		**53,434.80**	46,167.50
Sales Tax		**1,378.10**	6,567.16
Octroi/BPT		**3,523.17**	2,773.14
Service Tax		**137.29**	76.97
Education cess		**1,303.41**	867.99
Rent		**925.55**	956.63
Rates and taxes		**570.68**	412.36
Hire charges of equipments and vehicles		**37,033.10**	36,714.75
Power, fuel and water charges		**3,202.82**	1,954.47
Contractual drilling, logging, workover etc.		**45,860.65**	26,841.71
Contractual security		**1,250.38**	1,214.54
Repairs to building		**369.50**	359.30
Repairs to plant and machinery		**1,392.94**	1,522.70
Other repairs		**8,206.85**	7,270.66
Insurance		**2,664.28**	1,504.67
Expenditure on Tour / Travel		**2,264.23**	2,000.92
Contribution		**618.10**	358.61
Miscellaneous expenditure		**9,090.11**	9,483.66
		301,347.59	238,045.81
Less:			
Allocated to exploration, development drilling, capital jobs recoverables etc.		**80,158.47**	64,983.51
Excise duty adjusted against sales revenue		**2,708.93**	2,729.01
Prior Period Adjustment		**7,578.89**	36.74
Production, Transportation, Selling and Distribution Expenditure etc.		**210,901.30**	**170,296.55**

30. Information under Schedule VI to the Companies Act, 1956

i) SALES TURNOVER

	Unit	2006-07			2005-06		
		Quantity	Value (Rs. in million)		Quantity	Value (Rs. in million)	
Crude Oil	MT	24,419,739	384,601.44		22,453,076	328,929.51	
Less: From Exploratory Fields		1,293	10.14		333	5.90	
Less: Government of India's share in Profit Petroleum			12,379.38	372,211.92		11,117.69	317,805.92
Natural Gas	000M3	20,305,869	73,057.96		20,499,797	68,188.21	
Less: From Exploratory Fields		6,348	18.47		0	0	
Less: Government of India's share in Profit Petroleum			961.48	72,078.01		1,486.75	66,701.46
Liquified Petroleum Gas	MT	1,032,662		14,866.31	1,083,511		16,279.06
Naphtha	MT	1,442,282		37,906.94	1,578,316		35,678.70
Ethane/Propane	MT	548,058		9,094.79	535,237		7,401.25
Superior Kerosene Oil	MT	155,644		2,827.07	176,258		3,185.04
Superior Kerosene Oil (Trading)	KL	562,557		12,926.48	432,287		7,419.83
Heavy Cut	MT	-		-	14		0.40
LSHS	MT	26,321		512.78	25,489		428.43
HSD	MT	644		20.84	7,484		231.92
HSD-(Trading)	KL	1,394,440		42,016.56	807,237		23,171.39
Motor Spirit (Trading)	KL	120,620		4,529.74	110,347		3,797.06
Others				120.82			187.75
				569,112.26			482,288.21
Price Revision Arrears				10.80			155.70
				569,123.06			482,443.91

ii) OPENING AND CLOSING STOCK OF GOODS PRODUCED:

	Unit	As at 31st March, 2007		As at 31st March, 2006	
		Quantity	Value (Rs. in million)	Quantity	Value (Rs. in million)
Opening Stock					
Crude Oil*	MT	874,616	3,543.43	760,735	1,444.07
Liquefied Petroleum Gas	MT	19,543	55.70	13,733	35.47
Natural Gasoline/Naphtha	MT	73,574	199.21	98,966	209.52
Ethane/Propane	MT	581	4.41	729	3.66
Superior Kerosene Oil	MT	5,777	10.50	4,899	4.69
Heavy-Cut	MT	0	0.00	224	0.99
Low Sulphur Heavy Stock(LSHS)	MT	176	1.81	569	4.38
High Speed Diesel(HSD)	MT	1,947	12.64	1,323	9.42
High Speed Diesel(HSD)**	KL	66	1.85	19	0.45
Motor Spirit**	KL	4	0.13	14	0.42
Others			3.18		3.96
			3,832.86		1,717.03
Closing stock					
Crude Oil*	MT	816,199	3,248.49	874,616	3,543.43
Liquefied Petroleum Gas	MT	9,698	35.56	19,543	55.70
Natural Gasoline/Naphtha	MT	81,847	298.88	73,574	199.21
Ethane/Propane	MT	1,057	7.74	581	4.41
Superior Kerosene Oil	MT	5,640	12.71	5,777	10.50
Aviation Turbine Fuel (ATF)	MT	533	1.03	0	0.00
Low Sulphur Heavy Stock(LSHS)	MT	479	5.47	176	1.81
High Speed Diesel(HSD)	MT	1,395	12.61	1,947	12.64
High Speed Diesel(HSD)**	KL	60	1.65	66	1.85
Motor Spirit**	KL	8	0.31	4	0.13
Others			11.15		3.18
			3,635.60		3,832.86

* Includes Company's share in stock of Joint Ventures   ** Purchased for trading

iii) LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION
(CAPACITY AS CERTIFIED BY THE MANAGEMENT)

	Unit	2006-07		2005-06	
		Installed Capacity Per Annum	Actual Production Quantity	Installed Capacity Per Annum	Actual Production Quantity
Crude Oil	MT	NA	27,941,088	NA	26,189,601
Natural Gas	000 M3	NA	24,878,932	NA	24,967,985
Liquefied Petroleum Gas	MT	1,158,000	1,022,564	1,158,000	1,094,307
Ethane/Propane	MT	570,000	548,708	570,000	535,089
Naphtha	MT	1,468,228	1,450,182	1,469,030	1,556,913
Superior Kerosene Oil	MT	304,400	155,183	297,200	177,756
Heavy Cut	MT	-	-	32,965	10
LSHS	MT	16,270	26,624	19,800	25,096
HSD	MT	42,637	33,838	12,540	36,291

1. Licensed Capacity is not applicable for the above products
2. Production includes internal consumption and intermediary losses
3. Crude Oil includes condensate 1.887 MMT (Previous year 1.961 MMT)

iv) PURCHASES (Trading)

	Unit	2006-07		2005-06	
		Quantity	Value (Rs. in million)	Quantity	Value (Rs. in million)
Superior Kerosene Oil	KL	562,557	12,921.03	432,287	7,415.51
HSD	KL	31,694	868.53	66,978	1,838.98
ULS HSD	KL	1,362,739	41,090.24	807,237	21,294.16
Motor Spirit	KL	120,627	4,520.71	109,812	3,788.77
Others			0.54		0.55
TOTAL			**59,401.05**		**34,337.97**

v) RAW MATERIAL CONSUMED

	Unit	2006-07		2005-06	
		Quantity	Value at Cost (Rs. in million)	Quantity	Value at Cost (Rs. in million)
(For production of Liquefied Petroleum Gas, Natural Gasoline, Ethane/Propane, Naphtha, SKO,LSHS and HSD.					
Out of own production:					
Crude Oil	MT	162,587	832.46	179,342	688.78
Natural Gas	000M3	788,787	2,905.79	829,665	3,073.37
Condensate	000M3	534,025	732.15	583,725	694.39
Purchases:					
Condensate	MT	74,619	1,789.17	63,328	1,518.45

vi) CONSUMPTION OF STORES AND SPARE PARTS

	2006-07		2005-06	
	Amount (Rs. in million)	%	Amount (Rs. in million)	%
Imported	3,240.63	22.63	3,531. 80	23.87
Indigenous	11,081.78	77.37	11,261.81	76.13
TOTAL	**14,322.41**	**100.00**	**14,793.61**	**100.00**

vii) **VALUE OF IMPORTS ON CIF BASIS**

(Rs. in million)

	2006-07	2005-06
Capital items *	34,309.56	25,371.54
Stores and Spare Parts	2,431.30	4,760.99
TOTAL	**36,740.86**	**30,132.53**

*Includes stage payments made against capital works.

viii) **EXPENDITURE IN FOREIGN CURRENCY**

(Rs. in million)

	2006-07	2005-06
Interest	15.53	19.62
Services	49,143.28	45,398.51
Others	5,863.55	3,063.66
TOTAL	**55,022.36**	**48,481.79**

ix) **EARNINGS IN FOREIGN CURRENCY**

(Rs. in million)

	2006-07	2005-06
Services	1.93	6.68
FOB value of Sales	29,813.45	26,084.90
Others	91.18	2.24
TOTAL	**29,906.56**	**26,093.83**

x) **MANAGERIAL REMUNERATION (included in 29 above)**

(Rs. in million)

	2006-07	2005-06
REMUNERATION PAID OR PAYABLE TO DIRECTORS*		
Functional Directors:		
Salaries and Allowances	4.60	4.23
Contribution to Provident & Other Funds	0.58	0.46
Other Benefits and Perquisites (do not include cost of medical treatment availed from the Company's own medical facilities as the amount is not determinable)	3.37	2.09
Leave Encashment and Gratuity on retirement of Directors	0.50	1.91
Independent Directors:		
Sitting Fees	1.09	0.93
TOTAL	**10.14**	**9.62**

* The remuneration does not include provision for post retirement benefits under revised AS-15 since the same is not ascertained for individual employees.

xi) **AUDITORS' REMUNERATION (included in 29 above)**

(Rs. in million)

	2006-07	2005-06
Audit Fees	4.71	4.55
For Certification work etc.	3.76	3.52
Travelling and Out of Pocket Expenses	10.73	7.66
TOTAL	**19.20**	**15.73**

31. Previous year's figures have been regrouped/ reclassified wherever necessary to conform to current year's classification.

32. Figures in bracket as given in Notes to the Accounts relate to previous year.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in million)

		Year ended 31st March, 2007		Year Ended 31st March, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax, prior period and extraordinary items		**239,802.59**		**213,923.67**
Adjustments For:				
Recouped Costs				
(Represented by Depreciation, Depletion and Amortisation)				
Gross Amount	94,666.79		83,021.72	
Actual expenditure	(36,235.42)		(26,650.83)	
Non-cash Recouped Costs	58,431.37		56,370.89	
- Interest on Borrowings	214.98		469.65	
- Foreign Exchange Loss/(Gain) on revaluation	(12.58)		(58.51)	
- Provision for Gratuity	223.61		895.42	
- Provision for Leave Encashment	1,253.56		534.54	
- Provision for AS-15 Benefits	2,652.91		0.00	
- Other Provision and Write offs	2,153.87		2,459.56	
- Interest Income	(17,430.76)		(9,317.24)	
- Excess Provision written Back	(1,019.89)		(677.08)	
- Deferred Government Grant	(6.56)		(10.38)	
- Dividend Income	(3,263.44)	43,197.07	(3,928.56)	46,738.29
Operating Profit before Working Capital Changes		282,999.66		260,661.96
Adjustments for:-				
- Debtors	9,159.47		(1,584.87)	
- Loans and Advances	(7,213.05)		7,050.46	
- *Other Current Assets*	(0.24)		81.02	
- Deferred Revenue Expenditure	(1,477.29)		1,648.28	
- *Inventories*	(3,924.37)		(6,543.31)	
- Trade Payable and Other Liabilities	22,416.92	18,961.44	12,283.51	12,935.09
Cash generated from Operations		301,961.10		273,597.05
Direct Taxes Paid (Net of tax refund)		(72,119.46)		(69,519.15)
Cash Flow before prior period		229,841.64		204,077.90
Prior period items (Cash items)		(741.40)		(406.99)
Net Cash Flow from Operating Activities 'A'		**229,100.24**		**203,670.91**
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		(63,792.43)		(46,298.52)
Exploratory and Development Drilling		(32,043.11)		(31,807.76)
Investments (Net)		(1,115.99)		(15,418.49)
Loans and advances to Subsidiary		26,977.13		(39,701.16)
Loans to ONGC Mittal Energy Limited		0.00		(2,885.82)
Dividend Received from Subsidiary		878.75		2,305.35
Dividend Received from Associates		0.00		68.60
Dividend Received from Others		2,384.69		1,554.52
Extraordinary Item-Insurance Claims Received for BHN		8,684.32		8,154.23
Tax paid on Excess of insurance Claim over book value		(1,599.06)		(2,156.05)
Interest Received		13,801.68		10,180.31
Tax paid on Interest Income		(4,645.65)		(3,426.69)
Net Cash Flow from Investing Activities 'B'		**(50,469.67)**		**(119,431.48)**

(Rupees in million)

	Year ended 31st March, 2007	Year Ended 31st March, 2006
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Share Capital	0.00	0.43
Proceeds from Government Grants	25.97	11.16
Proceeds from Line of Credit	0.00	(8,550.00)
Repayment of Short Term Borrowings	(171.68)	(217.50)
Repayment of Long Term Borrowings	(202.17)	(202.18)
Cash Credit	3,041.48	(8,182.12)
Dividend Paid	(67,029.93)	(64,170.29)
Tax on Dividend	(9,399.32)	(8,999.42)
Interest Paid	(215.19)	(469.91)
Net Cash Flow from Financing Activities 'C'	(73,950.84)	**(90,779.83)**
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	104,679.73	**(6,540.40)**
Cash and Cash Equivalents as at 1st April, 2006 (Opening Balance)	88,128.21	**94,668.61**
Cash and Cash Equivalents as at 31st March, 2007 (Closing Balance)	192,807.94	**88,128.21**

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Adjustments have not been made to "Purchase of Fixed Assets" (Investing Activities), on account of increase/decrease in Capital Creditors. The impact of the above is not readily ascertainable.
3. Cash and Cash equivalents represent:-

(Rupees in million)

	2006-07	2005-06
a) Cash and Bank Balances	136,705.08	42,792.65
b) Deposits with Bank under Site Restoration Fund Scheme *	56,102.86	45,335.56
TOTAL	192,807.94	**88,128.21**

4. Brackets indicate cash outflow/ deduction.

* Deposited u/s 33ABA of the Income Tax Act, 1961 and could be withdrawn only for the purposes specified in the scheme.

For and on behalf of the Board

(S. C. Setia)
Company Secretary

(Dr. A.K. Balyan)
Director (HR)

(R.S.Sharma)
Chairman & Managing Director and Director (Finance)

In terms of our report of even date attached

For K.K.Soni & Co.
Chartered Accountants

(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants

(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants

(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants

(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

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BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	55-54155	State Code	55
Balance Sheet Date	31-03-2007		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Right Issue
-	-

Bonus Issue	Private Placement (Issued to employees only)
7129570	-

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
755558362	835557362

Source of Funds

Paid-up Capital	Reserves & Surplus
21388873	517851391

Secured Loans	Unsecured Loans
-	3737387

Deferred Tax Liability	Liability For Abandonment Cost
65227439	147353272

Application of Funds

Net fixed Assets	Investments
466332775	57020510

Net Current Assets	Misc. Expenditure
307063439	5140637

Accumulated Losses
-

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Gross Revenue)	Total Expenditure
613456728	376754611
Profit /(Loss) Before Tax	**Profit /(Loss) After Tax**
236702118	156429170
Earning per Share in Rs.	**Dividend Rate %**
73.14	310%

V. Generic Name of Three Principal Products / Services of Company (as per monetary terms)

Item Code No.	27090000
Product Description	Crude Oil
Item Code No.	27112100
Product Description	Natural Gas
Item Code No.	27111900
Product Description	Liquified Petroleum Gas

(S. C. Setia)
Company Secretary

(Dr. A.K. Balyan)
Director (HR)

(R.S.Sharma)
Chairman & Managing Director and Director (Finance)

New Delhi
June 25, 2007

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES

Name of the Subsidiary Company	ONGC Videsh Ltd.	Mangalore Refinery and Petrochemicals Ltd.	ONGC Nile Ganga B.V	ONGC Campos Holdings Ltda.	ONGC Do Brasil Exploranco Petrolifera Ltda.	ONGC Narmada Ltd.	ONGC Amazon Alakhnanda Ltd.
1. The Financial Year of the Subsidiary Company ended on	31st March, 2007	31st March, 2007	31st December, 2006	31st December, 2006	31st December, 2006	31st March, 2007	31st March, 2007
2. Date from which it became Subsidiary Company	1st February, 1994	30th March, 2003	12th March, 2003	16th March, 2007	7th July, 2006	7th December, 2005	8th August, 2006
3. a) Number of shares held by Oil and Natural Gas Corporation Limited alongwith its nominees in subsidiary at the end of the financial year of the Subsidiary Company	10,00,00,000 Equity Shares of Rs. 100/- each	1,25,53,54,097 Equity Shares of Rs. 10/- each	40 Class "A" & 100 Class "B" shares of one Euro 453.78 each			20 million shares of one Naira each	12000 Equity & 43,74,88,000 Preference shares of USD each
b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company	100%	71.62%	100%	100%	100%	100%	100%
4. The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company							
a) Not dealt with in the Holding Company's accounts:							
i) For the financial year ended 31st March, 2007 (Rs. in million)	10,525.56	3,763.80	6,561.92	(745.13)		(193.58)	649.02
ii) For the previous financial year(s) of the Subsidiary Company since it became the Holding Company's Subsidiary (Rs. in million)	10,678.63	9,915.60	14,064.90				
b) Dealt with in the Holding Company's accounts:							
i) For the financial year ended 31st March, 2007 (Rs. in million)	-	878.75					
ii) For the previous financial year(s)of the Subsidiary Company since it became the Holding Company's Subsidiary (Rs. in million)	1,050.00	1,255.35	14,098.77				

S.C. Setia
Company Secretary

Dr. A.K.Balyan
Director(HR)

R.S. Sharma
Chairman & Managing Director and Director (Finance)

New Delhi
June 25, 2007

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. The Economy

A.1 On 25th April, 2007 India became **a trillion-dollar economy**, as reported by **Credit Suisse**, a Swiss investment firm. The Times of India, in its 26th April, 2007 publication (New Delhi) reported that **"... it (India) moved into the elite club of 10 economic powerhouses that enjoy this distinction"**. India's Gross Domestic Product (GDP) at market prices is officially estimated to be just over Rs. 41 trillion for 2006-07 and that, on current exchange rates (approx. Rs. 41), translates into over $1 trillion.

A.2 Central Statistical Organisation (CSO), based on the first full-year estimates of GDP for 2006-07 reported that Indian economy grew by 9.4 percent during the year, highest in the post-1991 period and the second-highest since Independence. The average growth rate of 8.6 per cent, during the last 4 years, is unprecedented. This unprecedented growth is the result of economic reform processes initiated in early 1990s.

A.3 Not only Indian economy, the world economy also is expanding robustly. The average growth rate during the last four years is assessed at 4.8 per cent against an average growth of 3.4 per cent between 1975 and 2003. The main impetus for the current upturn is coming from outside the OECD countries (Organization for Economic Cooperation and Development), and occurring in the former Soviet bloc, OPEC countries (Organization of Petroleum Exporting Countries), South America and Asia.

A.4 The impact of unprecedented economic growth globally on individual affluence and average standards of living would be enormous. Demand for energy, which is already on premium, would be huge and the companies in energy sector will have to look for innovative solutions to provide energy in sustainable manner at an affordable price.

B. Industry Structure and Developments

Energy Demand

B.1 Primary energy demand axis has changed drastically during the last five years, mainly driven by demand growth from developing countries like China and India. Primary energy consumption in China and India increased at a Compounded Annual Growth Rate (CAGR) of 11.2% and 5.5% respectively, against the global CAGR of 3%.

B.2 Hydrocarbons remain the dominant fuel globally; though, during the last five years, global coal consumption increased by about 30% with a CAGR of 5.3%, highest among all the fuels, making coal the second most favoured fuel after Oil. Coal consumption growth was also driven by China and India, where it is the dominant fuel. However, this shift in consumption pattern enhanced the environmental concerns. Oil and Natural Gas consumption also increased substantially in developing world.

Energy Resources

B.3 Middle East continues to be the supply centre for Oil, contributing 31.2% of the total World's supply; however, a few countries like Russia, Kazakhstan, Brazil, Angola, Qatar, Sudan, Azerbaijan etc., have registered remarkable increase in crude oil production. Upstream opportunities are opening up only in limited countries, mostly dominated by National Oil Companies (NOCs), which may partially alter the energy supply axis in future.

Crude Oil Prices

B.4 Dated Brent crude oil averaged $65.14 per barrel in 2006, nearly 20% above the 2005 average. Prices peaked above $78 per barrel in early August and declined by some $20 by year-end **(Data source BP Statistical Review 2007)**. The prices continue to remain volatile on the higher ends during 2007 also.

Lack of capacity additions to support booming demand for oil and gas over the last few years has been the primary reason for the rise in crude oil prices. However, increase in cash inflow in oil and gas sector helped in increasing investments in crude oil production and even look for unconventional sources to sustain supply level.

C. Opportunities & Threats

C.1 Challenges for the Industry

C.1.1 The Global Energy market is concerned about - shift in energy demand-supply axis, energy security, geo-politics, growing competition to establish control over energy resources, shortage of skilled manpower, spiralling cost of services, resource nationalism, regulatory frameworks and taxation policies.

C.1.2 These concerns are manifested in the strategic pursuits of Energy Providers. Your Company being one of them, also faces unprecedented challenge in the form of contradictions in expectations from the nations and societies and ground realities. The contradictions are:

a) Shrinking conventional energy resources and booming energy demand;

b) Increasing cost of producing energy vis-à-vis challenge to supply energy at defined affordable cost to majority of the global population;

c) Changes in complexity of fossil fuel (more from heavy oil and other unconventional sources), available infrastructure to process such fluid and related complexity to downstream operations;

d) Resource holders' demand for partnership in prosperity & economic development and priorities of energy companies; and

e) Climate change concerns vis-à-vis Energy security.

C.2 Priorities for the Oil & Gas Industry

C.2.1 To meet the booming energy demand, there are structured initiatives by the energy companies to develop unconventional energy resources and tap new energy sources. However, transport sector will largely depend on oil and dependence on cleaner sources like gas would further increase keeping in view the environmental concerns.

C.2.2 Under such scenario, expeditious reserves replacement is the first priority for the upstream oil & gas companies. Production enhancement, arresting decline in matured fields and expeditious development of discovered fields are the next priorities. As new discoveries are being made in deepwater, ultra-deepwater and at logistically difficult terrains, technology would play a crucial role in developing these assets economically. At the same time, the industry would require developing suitable infrastructure to source and process energy resources from unconventional sources.

C.3 Strategic pursuits

C.3.1 Your Company, keeping the industry scenario in view, has identified discovering new oil & gas assets as the first priority. Accordingly, exploratory efforts were intensified in recent years, which have now started yielding encouraging results with significant reserves upside.

C.3.2 Your Company is actively building relationships with domain experts, academia, industry and technology leaders to induct best practices and develop operational expertise in its challenging areas like deepwater and ultra-deepwater exploration and development, where most of the new assets are being discovered.

C.3.3 Your Company also focuses on bringing new discovered assets and marginal fields to the stream expeditiously and has also taken structured initiatives to maintain production level from existing producing fields and intends to maximize recovery factor through induction of technology and best-practices. Substantial investments in redeveloping the matured fields (where 80% of the production comes from) has helped in arresting decline.

C.3.4 Your Company has taken structured initiatives for tapping new energy resources like Coal Bed Methane (CBM), Underground Coal Gasification (UCG) etc., harnessing India's natural endowment in these resources.

C.3.5 In recent years, your Company has intensified its pursuits for equity oil and gas abroad. As most of the energy resources, surplus for host countries, are being controlled by the National Oil Companies (NOCs), your Company, the Flagship Oil Company of the Country, has developed strong relationship with such companies.

C.3.6 Your wholly-owned subsidiary **ONGC Videsh Ltd. (OVL)**, commands tremendous respect for its professionalism, work ethics and transparent dealings. You may be happy to note that in most of these countries, your Company is perceived as the "Partners in Progress".

C.3.7 Value-chain integration projects, which your Company is pursuing aggressively, in the areas of Refining, Petrochemicals, LNG, SEZs, Power etc., are more or less on schedule and would provide impetus for integrated growth of your Company.

C.3.8 For all these strategic pursuits your Company has changed its approach from **'Volume-based'** activities to **'Value-based'** activities. This has not only helped in optimizing scarce resources but has also helped in improving success ratios.

D. Physical Performance

D.1 Reserve Accretion

Initial In-place Reserve (IIP) was 169.52 Million Tonnes of Oil Equivalent (MTOE), highest during the ten years, against 137.03 MTOE during the previous year. The Ultimate Reserve (UR) was 65.56 MTOE during the year against 51.52 MTOE during the previous year.

D.2 Production

Crude oil production during the year was 26.051 Million Metric Tonnes (MMT) as against 24.404 Million Metric Tonnes (MMT) in the previous year.

Natural Gas production was 22.443 Billion Cubic Meters (BCM) as against 22.574 BCM in the previous year. Marginal shortfall in production is primarily due to the unprecedented flood at Hazira due to which production from Bassein & Satellite field remained suspended for few days. The Hazira flood had also affected the Gas sales and production of Value Added Products (VAP).

The total Gas sales in 2006-07 was 17.989 BCM compared to 18.226 BCM in the previous year. VAP production during the year was 3.238 MMT against 3.425 MMT during the previous year.

D.3 Seismic Survey

9,751 Km of 2D seismic survey data was acquired in 2006-07 compared to 6,197 Km of data in the last year and 24,163 Sq. Km of 3D data was acquired as compared to 19,866 Sq. Km of data in 2005-06.

D.4 Drilling

Total 265 wells were drilled during the year comprising of 87 exploratory wells and 178 development wells against 270 wells drilled (106 exploratory and 164 development) during last fiscal (2005-06). The marginal shortfall is because of the major attention towards drilling of Hi-tech wells (55 Hi-tech wells drilled in 2006-07 compared to 43 in 2005-06. Your company has drawn a time bound ambitious plan for refurbishing all Onland and Offshore rigs. 16 Onland rigs and 2 Offshore rigs have been currently scheduled for refurbishment/ upgradation at an estimated outlay of Rs. 7,800 million. Besides this, there is plan to acquire 10 Onland rigs and 5 Offshore rigs.

E. Outlook

E.1 Exploration and Production

E.1.1 Your Company has made the first ultra-deepwater discovery in the Country. The ultra-deepwater well UD-1 in KG-DWN-98/2 block, at a water depth of 2,841 meters, has established the presence of gas reservoir. Earlier, your Company made significant discoveries in deep water structures like D, A, U, E, W, S-1 etc., in the block and in relatively shallow waters like Vashista, G-4. GS-29 in the adjoining blocks. Appraisal plan for development of these discoveries through hub is under finalization.

Your Company has taken structured initiatives to bring these discoveries to stream and has established strategic partnership with global leaders in deepwater field development like Petroleo Brasileiro S.A. (Petrobras), Brazil and Norsk Hydro, Norway for knowledge and competence transfer. Petrobras has been offered 15% Participative Interest (PI) in the block, whereas Norsk Hydro has been offered 10% PI in this block.

E.1.2 Recent discoveries in NELP Blocks MN-OSN-2000/2 and MN-DWN-98/3 (MDW-4A) in Mahanadi Basin are also very significant. These discoveries have provided valuable exploratory leads to your Company. Other NELP Blocks in the basin also appear prospective. Your Company has signed Co-operation Agreement with ENI, Italy for participating interests in the deepwater block MN-DWN-2002/1 in the basin. ENI would be acquiring 34% participating interest in the Block. In a reciprocal deal, ONGC Videsh Ltd (OVL) has acquired 20% participating interest from ENI in the MTPN exploration block, operated by ENI in the deepwater offshore of Congo Brazzaville.

E.1.3 ONGC Videsh Ltd. (OVL), your overseas growth vehicle, made significant oil discovery in North Ramadan field in Egypt, in which OVL is a joint operator. In another significant development OVL discovered Oil and Gas in Farsi Offshore Block, in Iran, under Exploration Service Contract with National Iranian Oil Company.

E.1.4 Sustained campaign by your Company towards Improved/ Enhanced Oil Recovery (IOR/ EOR) programmes has helped in arresting decline from matured fields. 12 IOR/ EOR projects have been completed and 6 projects are under various stages of implementation. Your Company has signed an MoU with TGT, Russia for increasing production from these fields.

E.1.5 Your Company has achieved remarkable success in bringing marginal fields to production. 44 out of 165 identified marginal fields have been monetized. During XI Plan period, 96% of these marginal resources have been planned to be put on production.

E.1.6 Your Company has inducted best-in-class technology in core areas of its activities. These technologies are at par with the International Oil Companies (IOCs) and National Oil Companies (NOCs). In addition, it has established close co-operation with technology solution providers like Schlumberger, Baker Hughes, Halliburton, TGT, IPR, CGG etc.

E.2 *Unconventional Sources of Energy*

E.2.1 Your Company realizes that sourcing energy from unconventional sources would provide leading edge. Accordingly, your Company is focusing on new sources like Coal Bed Methane (CBM) and Underground Coal Gasification (UCG).

E.2.2 **Coal Bed Methane**

Your Company has already formulated early production Pilot Scheme, Parbatpur CBM Block in Jharia, Jharkahand. Further, CBM *flow has been established from two zones of Bokaro CBM block. Your Company plans to produce 1.24 BCM of CBM in XI plan.*

E.2.3 **Underground Coal Gasification (UCG)**

Your Company, after studying 14 Coal seams, has selected Vastan, Gujarat as the first pilot UCG station. 18 bore-holes have already been drilled in the pilot area and results are encouraging. In addition, one new site at South Gujarat and three in Rajasthan would be taken up for UCG exploration.

E.2.4 Renewable Energy Developments

Wind Power

Your Company is also taking initiatives to develop renewable energy source and is in the process of setting up a 50 MW Wind Power plant in Gujarat.

Energy Centre

The three state-of-the-art projects viz., Thermo-chemical Reactor for Hydrogen, Geo-bio Reactors and Fuel Cells taken up by "ONGC Energy Centre Trust" have potential to provide impetus to your Company's pursuits towards developing renewable energy sources.

E.3 Information Technology

E.3.1 Your Company is implementing an enterprise wide Supervisory Control And Data Acquisition (SCADA) system for its production and drilling facilities. This system will enable your Company to integrate its assets, basins, plants, forward bases and other assets to the corporate data centre, facilitating 'anytime-anywhere' access to data and real-time performance management. The turnkey project is expected to be completed by October, 2007.

E.4 Value-chain Integration

E.4.1 Value-chain integration projects of your Company are on track and these projects are going to be the major business upside for your Company in the future.

E.4.2 **Petrochemicals**

Keeping in view the business opportunities, your Company has taken initiatives to integrate further down the value-chain using Naphtha as feedstock, which is being produced from different locations. Two global scale integrated Petrochemicals complexes are being set up at Dahej (Gujarat) and Mangalore (Karnataka) through recently registered Joint Ventures, ONGC Petro additions Limited (OPaL) and ONGC Mangalore Petrochemicals Limited (OMPL).

E.4.3 **Refineries**

a) Kakinada Refinery & Petrochemicals Ltd. (KRPL)

Comprehensive feasibility studies for the proposed Kakinada Refinery are being carried out by the consultant M/s EIL. Subsidiary of your Company, MRPL holds 46% stake in the venture.

b) MRPL Expansion Project

Refinery upgradation-cum-expansion project to 15 MMTpa capacity (from 9.69 MMTpa) to improve distillate yield and produce higher volumes of Euro-III/ IV diesel is on track with an estimated investment of Rs 79,430 million. The project is expected to be completed during the Financial Year 2010-11.

E.4.4 **Rajasthan Crude**

Government of India nominated MRPL to evacuate oil (to be produced) from discovered fields of Rajasthan. Your Company is carrying out a comprehensive due diligence of various options for evacuation of this crude, including setting up of a well-head refinery. However, establishment of this refinery will largely depend on the availability of crude oil from Rajasthan blocks at a reasonable price as well as adequate fiscal incentives from the State Government, so as to ensure economic viability of the project.

E.4.5 **LNG**

Importing Liquified Natural Gas (LNG) is one of the options for meeting spiralling Natural gas demand in the country. However, keeping in view recent gas discoveries in East Coast, your Company is carrying out comprehensive due diligence for proposed LNG projects.

E.4.6 **Power**

Your Company is developing a 740 MW power plant at Palatana in Tripura primarily to monetize its idle gas reserves. The project is scheduled to be commissioned by 2010.

E.4.7 **SEZ Projects**

Your Company is the anchor co-promoter for developing Special Economic Zones (SEZs) at Dahej, Mangalore and Kakinada for tailor-made infrastructure development for ONGC's anchor industries planned at these locations like Refinery, Aromatics Complex, LNG etc. These three SEZs are at various stages of development.

F. **XI Plan Outlay**

F.1 XI Plan outlay for your Company has been worked out to be Rs. 759,838 million against plan expenditure of Rs. 483,228 million during X Plan. 94.5% of the XI Plan outlay has been dedicated for core E&P activities, including CBM and UCG. Rs. 41,891 million (5.5% of the total outlay) has been earmarked for value-chain integration projects.

In addition, XI plan outlay for ONGC Videsh Limited (OVL) for overseas E&P activities has been worked out to Rs. 453,340 million, 45% more than the X Plan expenditure of Rs. 250,520 million.

G. **Risks & Concerns**

G.1 The intensive exploration campaign involves high technology, high investment and high risks, which is the global paradigm in E&P business.

G.2 Crude as well as gas pricing continues to be controlled by the Government, formally or informally. Your Company is required, under the prevailing Government directives, to subsidise Oil Marketing Companies (OMCs) operating in India, directly or indirectly, with adverse impact on revenues and profits.

G.3 Security of personnel and property, especially crude oil, continues to be a cause of concern in certain areas.

G.4 There is inherent Health, Safety & Environment (HSE) risk in the Oil & Gas business.

G.5 Increasing cost of oil field services.

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H. Internal Control Systems

The Company has the required internal control systems and procedures to ensure proper use of Company's resources. The Company's internal audit department conducts regular audits of various operational and financial matters. The audit observations are periodically reviewed by the Audit Committee of the Board of Directors and necessary directions are issued whenever required. Your Company is the first Public Sector Undertaking (PSU) to get ISO 9001 certification for its Internal Audit functions.

I. Financial Performance

I.1 Salient Features

(Rs. in million)

	2006-07	2005-06
• Turnover	569,037	482,009
• Profit after Tax (PAT)	156,429	144,308
• Contribution to Exchequer	311,180	234,090
• Dividend (Exclusive of Dividend Tax)	66,310	64,170
Financial ratios		
• Profit margin	27.49	29.94
• Current ratio	2.77:1	3.08:1
• Debt-Equity ratio	0.001:1	0.002:1
• Earning per share (Rs.)*	109.70	101.20
• Book value (Rs.)*	431	376
• Dividend rate (%)*	465	450

* Adjusted to pre-Bonus Capital Base

I.2 Your Company was directed by the Government to give discount on Crude Oil, Domestic LPG and PDS SKO of Rs. 170,239 million to Oil Marketing Companies (OMCs). Impact of discount on net profits was to the tune of Rs. 103,331 million.

I.3 Your Company has been reaffirmed the credit rating of **Baa1** (Indicative Foreign Currency Debt rating) by Moody's, **the Highest-ever to any Indian Corporate, 2 notches higher than Sovereign rating/ A2** (Local currency issuer rating) **6 notches higher than Sovereign rating**, with stable outlook. CRISIL and ICRA have also reaffirmed your Company's credit rating at **AAA** and **LAAA** respectively, the **Highest domestic credit rating, respectively,** with a stable outlook. These ratings were initially accorded in the preceding year.

J. Human Resources/ Industrial Relations

J.1 Higher attrition rate of skilled and trained manpower of your Company is a serious concern. Your Company realizes that being in knowledge driven industry, retaining talent is the first and foremost priority. During last year, your Company, within the given framework of PSUs, took effective measures to compensate and motivate the employees.

J.2 Your Company has developed structured training programmes for its employees to enhance technical and managerial skills and capabilities through regular courses like Unnati Prayas Scheme, Super Unnati Prayas, Shangsaptak etc., in association with reputed technical universities and management schools. Skill upgradation in exploration technology has been given utmost importance by conducting work station familiarisation courses. Major initiatives have been taken towards training the employees on Health, Safety & Environment (HSE) practices.

J.3 The pay-roll strength as on 31st March, 2007 was **33,810**.

K. Environmental Protection & Conservation

Your Company's Mission statement, 'abiding commitment to health safety and environment to enrich quality of community life' is the testimony of its commitment towards environment protection. Your Company has a comprehensive Environment Policy adopted since 1983. The Company has the distinction of being India's Greenest Company with 100% accreditation of QHSE (Quality, Health, Safety and Environment Management) for its operational installations/ facilities, unique in the world. Your subsidiary MRPL is the first Indian company to launch Euro III & Euro IV fuel.

Your Company's Environment Management System is based on the precautionary principle. Critical environmental issues have been identified and actions have been initiated based on the management hierarchy of preventing pollution at source, recycling & reuse of waste, treatment and disposal of the waste. Your Company's Institute of Petroleum Safety, Health and Environment Management (IPSHEM), Goa, is dedicated for promoting international standards on safety, health and environment management in the Company through various trainings to our officers.

Climate change, due to emissions and concentration of Green House Gases (GHG), on account of anthropogenic (man-made) activities are the most potent sources of global warming. The Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC), which came into force on 16th February, 2005, is the most promising global initiative for arresting Greenhouse gases emission. India is also a signatory to this protocol. In this regard, your Company has taken remarkable initiatives towards registration of projects under Clean Development Mechanism (CDM) in UNFCCC by Article 12 of the Kyoto Protocol. Your Company is the first Central PSE in India to have two of its CDM Projects registered with UNFCCC. In addition, 11 more CDM projects of your Company have been identified for registration.

Your Company is in the process of M2M (Methane to Market) partnership programme with the Environmental Protection Agency of the US (US-EPA) for the Natural Gas Star Programme for curbing the fugitive emissions.

Your Company, in association with Bombay Natural History Society (BNHS), has embarked upon a project of Mangrove conservation and education and shall be planting five lac Mangrove seedlings in Gandhar area of Gulf of Khambat at a cost of Rs. 20 million.

L. Technological Conservation

In recent years, your Company launched a sustained campaign ONGC, for state-of-the-art technology induction to support the pursuit of scientists and engineers. Best-in-class technology inducted in core areas of E&P activities like G&G Data Acquisition, Processing & Interpretation, Drilling, Production and Information Technology.

M. Foreign Exchange Conservation

Your Company has a dedicated Vendor Development Group for encouraging indigenisation and import substitution for foreign exchange conservation. Since 1988, your Company entered into more than 200 rate contracts for 1,000 indigenous items for core E&P activity. Rate contracts are now being renewed for about 80 items as per revised policies. Further, your Company also encourages domestic companies to bid against ICB tenders. During the last year, your Company has placed orders for more than Rs. 3,880 million, to indigenously developed firms.

N. Corporate Social Responsibility (CSR)

Your company has a well laid out, clearly defined Corporate Citizenship Policy and is playing an important role in strengthening the fabrics of the society through promoting Education, Heath care & Entrepreneurship in the Community and support Water Management and Disaster Relief in the country. Your Company earmarks 0.75% of its net profit of previous year for CSR projects. 'Project Saraswati' and ONGCpura are the landmark initiatives by your Company towards CSR.

O. Cautionary Statement

These discussions are "forward looking" within the meaning of the applicable Laws and Regulations. Actual performance may deviate from the explicit or implicit expectations.

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CORPORATE GOVERNANCE REPORT

ONGC management continues to strive for excellence in good governance and responsible management practices, benchmarking with best of global companies.

ONGC has been practicing corporate governance principles much before it became mandatory. Your company believes that for a company to be successful it must maintain global standards of corporate conduct towards its stakeholders. The company believes that it is rewarding to be better managed and governed and to identify its activities with national interest. To that end, your company has always focused on good corporate governance which is the key driver of sustainable corporate growth and long term value creation.

Your company views corporate governance in its widest sense almost like a trusteeship, a philosophy to be progressed, a value to be imbibed and an ideology to be ingrained into the corporate culture.

It is not merely compliance and simply a matter of creating checks and balances; it is an ongoing measure of superior delivery of company's objectives with a view to translate opportunities into reality. It involves leveraging its resources and aligning its activities to national need, shareholders benefit and employee growth, thereby delighting all its stakeholders, while minimizing the risks. The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness, fairness, accountability, propriety, equity, sustainable value creation, ethical practices and to develop capabilities and identify opportunities that best serve the goal of value creation, thereby creating an outperforming organization.

1.1 Corporate Governance Recognized

In recognition of excellence in Corporate Governance, the following awards have been conferred on ONGC:

(i) 'Golden Peacock Award for Excellence in Corporate Governance - 2002' by the Institute of Directors;
(ii) 'ICSI National Award for Excellence in Corporate Governance'- 2003 by the Institute of Company Secretaries of India; and
(iii) 'Golden Peacock Global Award' for Corporate Governance in Emerging Economies - 2005 by World Council for Corporate Governance, U.K.
(iv) 'Golden Peacock Award for Excellence in Corporate Governance - 2005' by the Institute of Directors;
(v) 'Golden Peacock Award for Excellence in Corporate Social Responsibility in Emerging Economies- 2006' by World Council for Corporate Governance, U.K;
(vi) 'Golden Peacock Award for Excellence in Corporate Governance - 2006' by Institute of Directors.

2. BOARD OF DIRECTORS

2.1 COMPOSITION, MEETINGS AND ATTENDANCE

The Company is managed by the Board of Directors, which formulates strategies, policies and reviews its performance periodically. The Chairman & Managing Director (CMD) and six whole-time Directors manage the business of the Company under the overall supervision, control and guidance of the Board.

2.2 COMPOSITION

The Board of Directors has an adequate combination of Executive (Functional) and Non-executive Directors. The Board has 14 members, comprising of 7 Functional Directors including the Chairman & Managing Director. The CMD is currently holding additional charge of Director (Finance) w.e.f. 4th July, 2007, on adhoc basis, pending appointment of regular incumbent for which Government of India has already initiated action. Besides, the Board comprises of 6 Non-executive Directors comprising of: 2 part-time official Directors and 4 part-time non-official Directors, all nominated by Government of India. IOC nominee Director ceases w.e.f 31st July, 2007. To share the experience and business strategies, C&MD, Oil India Ltd. and Managing Director, ONGC Videsh Ltd. are invitees to the meetings of the Board.

Shri R. S. Sharma, Director (Finance) has been elevated to the position of CMD w.e.f 4th July, 2007. Prior to that Shri Sharma was holding additional charge of the post of CMD with effect from 25th May, 2006, upon completion of the tenure of Shri Subir Raha.

Padma Bhushan, Dr. R. K. Pachauri, Director General, The Energy Research Institute (TERI), S/Shri V. P. Singh, former C&MD, IFCI, P. K. Choudhury, Vice Chairman and Group CEO, ICRA Ltd. and Padma Shree Dr. Bakul H. Dholakia, Director, IIM Ahmedabad were

appointed as part-time independent Directors on the Board w.e.f. 26th June, 2006. Shri M. M.Chitale, Shri U. Sundararajan and Shri Rajesh V. Shah ceased to be members of the Board w.e.f. 10th September, 2006.
Upon elevation Shri Anil Razdan as Secretary, Power and Shri Ashok Chawla, Secretary Civil Aviation, Govt. of India, respectively, ceased to be Directors w.e.f 8th March, 2007.

Shri A. K. Jain, Joint Secretary (E), MoP&NG was appointed as Govt. nominee Director, as an interim arrangement on 10th April, 2007 in place of Shri Anil Razdan, Special Secretary, MoP&NG. Shri S. Sundareshan, Addl. Secretary, MoP&NG and Smt Sindhushree Khullar, Addl. Secretary, Department of Economic Affairs, MoF were appointed as Directors in place of Shri A.K.Jain and Shri Ashok Chawla, respectively w.e.f 10th May, 2007.

Decisions and delibrations of the Board are supported by various committees of the Board as described at Para 7 hereof.

2.3 Board /Committee Meetings and Procedures

(A) Institutionalised decision making process:

With a view to institutionalise all corporate affairs and setting up systems and procedures for advance planning for matters requiring discussion/ decisions by the Board , the Company has defined guidelines for the meetings of the Board of Directors and Committees thereof. These guidelines seek to systematise the decision making process at the meetings of Board/Committees, in an informed and efficient manner.

(B) Scheduling and selection of Agenda items for Board /Committee Meetings:

(i) The meetings are convened by giving appropriate advance notice after obtaining approval of the Chairman of the Board/ Committee. Detailed agenda, management reports and other explanatory statements are circulated in advance in the defined agenda format amongst the members for facilitating meaningful, informed and focused decisions at the meetings. To address specific urgent need, meetings are also being called at a shorter notice. In case of exigencies or urgency Resolutions are passed by circulation.

(ii) Where it is not practicable to attach any document or the agenda is of confidential nature, the same is tabled with the approval of CMD. In special and exceptional circumstances, additional or supplemental item(s) on the agenda are permitted. Sensitive subject matters are discussed at the meeting without written material being circulated.

(iii) The agenda papers are prepared by the concerned officials, sponsored by the concerned functional Directors and submitted for obtaining approval of the Chairman and Managing Director, well in advance. Duly approved agenda papers are circulated amongst the Board members by the Company Secretary and by the respective convenors of the Committees.

(iv) The meetings of the Board/Committees are generally held at the Company's Registered Office in New Delhi.

(v) The Board/Committees are given presentations covering Finance, Production, Operations, major Business Segments, Human Resources, Marketing, Joint Venture operations etc. of the Company and for taking on record quarterly / annual financial statements at the pre-scheduled Board/Committee meetings.

(vi) The members of the Board/Committees have complete access to all information of the Company. The Board is also free to recommend inclusion of any matter in agenda for discussion. Senior management officials are called to provide additional inputs to the items being discussed by the Board/Committee, as and when necessary.

(C) Recording minutes of proceedings at the Board Meeting:

Minutes of the proceedings of each Board/Committee meeting are recorded. Draft minutes are circulated amongst all members of the Board/ Committee for their critical appreciations and comments. The comments are incorporated in the minutes, which are finally approved by the Chairman of the Board/Committee. These minutes are confirmed in the next Board/Committee Meeting. The finalized minutes of the proceedings of the meetings are entered in the Minutes Book.

(D) Follow-up mechanism:

The guidelines for the Board/Committee Meetings facilitate an effective post meeting follow-up, review and reporting process for the action taken on decisions of the Board and Committee. Functional Directors submit follow-up Action Taken Report (ATR) on the areas of their responsibilities, at least once in a quarter, on the decisions/ instructions/directions of the Board.

(E) Compliance:

Every functional Director while preparing the agenda notes is responsible for and is required to ensure adherence to all the applicable provisions of law, rules, guidelines etc. The Company Secretary has to ensure compliance to all the applicable provisions of the

Companies Act, 1956, Secretarial Standards issued by ICSI, SEBI Guidelines, Listing Agreement, and other statutory requirements pertaining to capital market. A Quarterly Compliance Report (collected from all work centers) confirming adherence to all the applicable laws, rules, guidelines and internal instructions/manuals including Corporate Governance is reviewed by the Audit & Ethics Committee and the Board.

2.4 BOARD MEETINGS

During the year 2006-07, **Twelve** Board Meetings were held on: April 12, May 8, June 06 & 26, July 26, August 08, September 06, October 19, November 28, December 23, 2006 and January 30 and March 08, 2007.

The minimum and maximum interval between any two Board meetings was 13 days and 43 days, respectively.

Composition and Attendance:

a) Executive Directors

Name & Designation	Financial Year 2006-07 **Attendance at**			As on date			
	No. of Board Meetings held during the tenure	Board Meetings attended	Last AGM (19.09.06)	No. of Directorship in other Public Limited Companies		No. of Committee positions held in Public Companies including ONGC*	
				Listed	Others	Chairman	Member
Shri R. S. Sharma Chairman & Managing Director and Director (Finance)	12	12	Yes	2	5**	0	5
Shri Subir Raha Chairman & Managing Director (upto 24.05.06)	2	2	N.A	1	4**	0	0
Dr. A.K. Balyan Director (Human Resource)	12	10	Yes	1	5**	0	0
Shri A.K. Hazarika Director (Onshore)	12	11	Yes	0	2	0	0
Shri N.K. Mitra Director (Offshore)	12	12	Yes	2	3	0	0
Shri D.K. Pande Director (Exploration)	12	10	Yes	0	1**	0	0
Shri U.N. Bose Director (T&FS)	12	10	Yes	1	1	0	0

b) **Non-Executive Directors**

Name & Designation	Financial Year 2006-07 **Attendance at**			As on date			
	No. of Board Meetings held during the tenure	Board Meetings attended	Last AGM (19.09.06)	No. of Directorship in other Public Limited Companies		No. of Committee positions held in Public Companies including ONGC*	
				Listed	Others	Chairman	Member
(i) Part-time official Directors- (ex-officio) Govt. nominees							
Shri S. Sundareshan Addl. Secretary, MoP&NG (from 10.05.07)	N. A.	N. A.	N. A.	2	1	-	-
Smt. Sindhushree Khullar Addl. Secretary, MoF (from 10.05.07)	N. A.	N. A.	N. A.	-	-	-	1
Shri Anil Razdan Spl. Secretary, MoP&NG (upto 08.03.07)	11	9	No	2	-	0	0
Shri Ashok Chawla Spl. Secretary,MoF (upto 08.03.07)	11	9	Yes	0	1	0	0
Shri A. K. Jain, Joint Secretary, MoP&NG (from10.04.07 to 10.05.07)	1	1	N. A.	2	-	-	1
(ii) Part-time independent Directors							
Dr. R. K. Pachauri (from 26.06.06)	9	2	No	1	0	0	3
Shri V. P. Singh (from 26.06.06)	9	9	Yes	-	2	0	2
Shri P. K. Choudhury (from 26.06.06)	9	7	Yes	1	3	3	1
Dr. Bakul H. Dholakia (from 26.06.06)	9	6	No	4	1	4	4
Shri A. M. Uplenchwar	12	9	Yes	3	3	0	0
Shri M. M. Chitale	7	7	N. A.	2	3**	2	3
Shri Rajesh V. Shah (upto 10.09.06)	7	6	N. A.	2	8**	4	3
Shri U. Sundararajan (upto 10.09.06)	7	5	N. A.	2	2	0	3

* In accordance with Clause 49 of the Listing Agreement, Chairmanship/ Membership of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public limited companies have been considered.

** The other Directorship held by Directors as mentioned above, does not include Directorship of Foreign Companies, Section 25 Companies and Private Limited Companies.

Notes: (i) Being a PSU, all Directors are appointed/ nominated by the President of India;
(ii) Directors are not related to each other;
(iii) Directors do not have any pecuniary relationships or transactions with the Company;
(iv) The Directorship/Committee Memberships are based on the latest disclosures received from Directors;
(v) None of the Directors is a Member of more than 10 Committees or Chairman of more than 5 Committees, across all the Companies in which he is a Director.

3. STRATEGY MEETS

The Company has a practice of periodic retreats where all members of the Board and high officials of the Ministry of Petroleum & Natural Gas discuss issues of Corporate Strategy and Policy. The 5th Strategy Meet was held during 28th - 30th April, 2006 in Bangalore.

Business plan review meeting was held on 16th July, 2006.

4. CONCLAVES

To have the benefit of cumulative knowledge and experience of the elders of the ONGC family, an assembly of the past and present members of Oil & Natural Gas Commission and Board is organized every year. The 6th Conclave was held during 27th - 29th October, 2006 in Agra.

5. VICHAR VISHLESHAN

The Key Executives in-charge of Assets, Basins, Services and Institutes meet periodically with the Executive Committee consisting of the CMD and the functional Directors to review performance and to formulate future plans. During the year under review 6th 'Key Executive Meet' was held at the ONGC Academy, Dehradun from 9th-10th December, 2006.

6. RESUME OF DIRECTORS PROPOSED TO BE RE-APPOINTED

The brief resume of Directors including nature of their experience in specific functional areas and names of companies in which they hold directorship and membership/chairmanship of Board/Committee, who are retiring by rotation and seeking reappointment is appended in the notice for calling Annual General Meeting.

7. BOARD COMMITTEES

The Company has the following Committees of the Board:

7.1 AUDIT & ETHICS COMMITTEE

The terms of reference of the Audit & Ethics Committee are in accordance with Section 292 of the Companies Act, 1956 and the guidelines set out in Clause 49 of the Listing Agreement.

The Committee is headed under the stewardship of Shri P.K.Choudhury, an Independent non-executive Director w.e.f. 11.09.2006. Shri P. K. Choudhury is a Chartered Accountant, Post graduate diploma in Advance Finance Management with distinction from Maastricht School of Management, Netherlands, CAIIB, CAIB(London) and Post graduate in Commerce from Calcutta University. Shri Choudhury has multifarious and enriched experience of more than 35 years in Finance and Banking. Prior to above, the Committee was headed by Shri M.M.Chitale, a Fellow Member and past president of the Institute of Chartered Accountants of India. All members of the Committee have requisite financial and management experience and have held or hold senior positions in other reputed organisations.

Director (Finance), ED-Chief-Corporate Finance and Head-Corporate Internal Audit are the permanent invitees. Representatives of Statutory Auditors were invited to attend and participate in the meetings. Functional Directors, Executives of Finance and other departments are invited on need basis.

The Chairman of the Audit & Ethics Committee was present at the last AGM of the Company.

Company Secretary acts as the Secretary to the Committee.

The role of the Audit & Ethics Committee includes the following:

a. Overseeing financial reporting processes and the disclosure of financial information, to ensure that the financial statements are correct, sufficient and credible;

b. Recommending to the Board, audit fees payable to Statutory Auditors appointed by C&AG and approving payments for any other services;

c. Reviewing with management the periodic financial statements/results before submission to the Board, focusing primarily on:

- matters required to be included in the Directors' Responsibility Statement;
- any changes in accounting policies and practices;

- major accounting entries based on exercise of judgement by the management;
- qualifications in draft audit report;
- significant adjustments arising out of the audit;
- the going concern assumption;
- compliance with accounting standards;
- compliance with listing agreement and legal requirements concerning financial statements;
- any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large;

d. Reviewing with the management, Statutory Auditors, Govt. Audit and Internal audit reports, adequacy of internal control systems and recommending improvements to the management;

e. Reviewing the adequacy of internal audit function, approving internal audit plans and efficacy of the functions including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audits;

f. Discussion with internal auditors on any significant findings and follow-up thereon;

g. Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

h. Discussion with the Statutory Auditors before the audit commences, the nature and scope of audit, as well as post-audit discussion including their observations to ascertain any area of concern;

i. Reviewing the Company's financial and risk management policies;

j. Reviewing Quarterly Compliance Report confirming adherence to all the applicable laws, rules, guidelines, instructions and internal instructions/manuals including Corporate Governance principles;

k. Reviewing the management discussion and analysis of financial condition and results of operations, statement of significant related party transactions, management letters/letter of internal control weaknesses issued by the statutory auditors, internal audit reports; and

l. Reviewing the financial statements and in particular the investments made by the non-listed subsidiaries of the Company.

m. Matters relating to Corporate Governance including Ethics in business.

Minutes of the meetings of the Audit & Ethics Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in its next meeting.

Composition, Meetings and Attendance

During the year 2006-07, **seven** meetings of Audit & Ethics Committee were held on: April 12th, June 6th & 26th, July 26th, September 6th, October 19th, 2006 and January 30th, 2007.

Attendance:

Members	No. of Meetings held during the tenure	Meetings Attended
Shri P. K. Choudhury, Chairman (from 11.09.06), Member (from 26.06.06)	3	3
Shri M. M. Chitale, Chairman (upto 10.09.06)	5	5
Dr. Bakul H. Dholakia (from 26.06.06)	3	2
Dr. R. K. Pachuari (from 26.06.06)	3	-
Shri V. P. Singh (from 26.06.06)	3	3
Smt. Sindhushree Khullar (from 10.05.07)	N. A.	N. A.
Shri U. Sundararajan (upto 10.09.06)	5	4
Shri Rajesh V. Shah (upto 10.09.06)	5	5
Permanent Invitees:		
Shri R. S. Sharma, CMD / Director(Finance)	7	7
Shri B. L. Ghasolia, ED-Chief Corporate Finance	7	7
*Shri D. P. Mukherjee-Head Corporate Internal Audit	N. A.	N. A.

* Attended 3 meetings as Dy. General Manager - IA

7.2 REMUNERATION COMMITTEE

ONGC being a Government Company, appointment, terms and conditions of remuneration of Executive (whole-time functional) Directors are determined by the Government through administrative ministry, the Ministry of Petroleum & Natural Gas. Non-executive part-time official Directors (ex-officio) do not draw any remuneration. The Part-time non-official Directors receive sitting fees of Rs. 10,000/- for each Board/Committee meeting attended by them.

The Committee is headed by Shri S. Sundareshan, Addl. Secretary; MoP&NG (from 10.05.07), prior to that Shri Anil Razdan, Special Secretary, MoP&NG was heading the Committee (upto 08.03.07). Dr. Bakul H. Dholakia, (from 26.06.06) and Shri U. Sundararajan (upto10.09.06), are/were part-time independent Directors, Shri R. S. Sharma, Director (Finance) and Dr. A. K. Balyan, Director (Human Resource) are the members of the Committee.

7.2.1 DIRECTORS' REMUNERATION:

Remuneration of Directors for the year ended 31st March, 2007 was as follows:

(a) Executive Directors

(Rs. in lac)

Sl. No.	Names	Salary including DA	Other benefits	Performance Incentives	Contribution to PF & other Funds	Total	Term up to
1.	Shri R.S. Sharma	6.34	3.27	2.34	0.92	12.87	31.01.2011
2.	Dr. A. K. Balyan	6.53	1.33	2.36	1.07	11.29	22.08.2008
3.	Shri N.K. Mitra	6.24	3.81	2.33	0.92	13.30	31.01.2009
4.	Shri A.K. Hazarika	6.40	5.77	2.34	0.98	15.49	08.09.2009
5.	Shri D.K.Pande	6.20	10.75	2.28	0.91	20.14	22.09.2010
6.	Shri U.N.Bose	6.27	2.12	2.30	0.91	11.60	26.09.2010
7.	Shri Subir Raha (up to 24.05.06)	0.93	4.68	0.17	0.12	5.89	N. A.

Notes:

1. The remuneration does not include cost of medical treatment availed from the Company's owned medical facilities, provision/ payment for gratuity and leave encashment.
2. *Notice period of 3 months or salary in lieu thereof is required for severance of service.*
3. Pursuant to ONGC incentive scheme, annual incentive @ 4.5% for 2004-05 and additional Annual Incentive @ 5% for 1998-99, 10% for 1999-00, 18% for 2004-05 and 15% for 2005-06 on basic pay paid during the year are included in above remuneration. In addition Rs. 50,000/- as Golden Jubilee Incentive, paid during the year is also included.

(b) Non-Executive Directors (Part-time non-official)

Non-Executive non-official Directors are paid sitting fee at the rate of Rs. 10,000/- for attending each meeting of the Board /Committees thereof. Details of sitting fees paid during the year under review are as follows:

Names	Sitting fees*
Shri V. P. Singh	1,80,000
Shri P. K .Choudhury	1,80,000
Dr. R. K. Pachauri	20,000
Dr. Bakul H. Dholakia	1,20,000
Shri M. M. Chitale	1,90,000
Shri U. Sundararajan	1,30,000
Shri Rajesh V. Shah	2,00,000

Note: *inclusive of sitting fee paid for attending Board and committee meetings.

There were no other pecuniary relationships or transactions of the Non-executive Directors vis-à-vis the Company.

7.2.2 STOCK OPTIONS

The Company has not issued any Stock Options to its Directors/Employees.

7.2.3 EQUITY SHARES HELD BY DIRECTORS (As on 31st March, 2007)

Except as stated hereunder, none of the Directors, hold any Equity Shares in the Company:

Name of Directors	No. of Shares held*
Shri R. S. Sharma	1075
Shri Subir Raha (up to 24.05.06)	1101
Dr. A. K. Balyan	600
Shri A. K. Hazarika	1161
Shri N. K. Mitra	993
Shri D. K. Pande	1350
Shri U. N.Bose	298
Shri M. M. Chitale (upto 10.09.06)	41
Shri U. Sundararajan (upto 10.09.06)	70

**Source: Declarations made to the Company.*

7.3 SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievances Committee specifically looks into redressing of shareholders' and investors' complaints/ grievances pertaining to share transfers, non receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with or without legal representation) of shares and other miscellaneous complaints. The Committee oversees and reviews performance of the Registrar and Transfer Agent and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of Company's Code of Conduct for Prevention of Insider Trading in ONGC securities.

From 11.09.2006, the Committee is headed by Shri P. K. Choudhury, an independent non-official Director. Prior to above the Committee was headed by Shri Rajesh V. Shah, an independent Director upto 10.09.2006.

The Company Secretary acts as Secretary to the Committee.

Minutes of the meetings of the Shareholders'/Investors' Grievance Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in its next meeting.

Composition and Attendance

During the year 2006-07, **four** meetings were held on: June 26, September 6, December 23, 2006 and March 30, 2007. The attendance particulars are as under:

Members	Meetings held during the tenure	Meetings attended
Shri P. K. Chuoudhury, Chairman (from 11.09.06) Member (from 08.08.06)	3	3
Shri Rajesh V. Shah -Chairman (upto 10.09.06)	2	2
Dr. R. K. Pachauri (from 08.08.06)	3	0
Shri R. S. Sharma	4	4
Dr. A. K. Balyan (from 08.08.06)	3	1
Shri U. N. Bose (upto 08.08.06)	1	0

7.3.1 REDRESSAL OF INVESTORS' GRIEVANCE

The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent/issues resolved usually within 7 days except in case of dispute over facts or other legal constraints.

Except for Investor Grievances relating to 'Offer for Sale' of upto 10% equity shares by Govt. of India made in 2004 and a few other investor grievances constrained by incomplete documentation and/or legal impediments were settled within period of one month.

Except for the complaints pertaining to 'Offer for Sale', the Company received 78 shareholders' complaints from Stock Exchanges/SEBI which inter-alia includes non-receipt of dividend, annual report issue of Bonus Shares, payment for fraction Bonus Shares etc.

The complaints were duly attended to and the Company /RTA have furnished necessary documents/information to the shareholders.

The Shareholders'/Investors' Grievance Committee reviews the complaints received and appropriate action is taken promptly.

No request for share transfers is pending beyond 30 days except those that are disputed or sub-judice. All requests for de-materialization of shares are likewise processed and confirmation communicated to investors and Depository Participants within 10 working days.

The total number of complaints/queries/correspondence received and replied/attended to the satisfaction of the shareholders was 4212. There were 4 outstanding complaints as on 31st March,2007, since settled.

Barring complaints relating allocation of shares in the Offer for Sale, 2004, 1388 complaints/ queries / correspondence were received from 1st April to 15th July, 2007, which have been resolved.

Company Secretary is the Compliance Officer.

7.3.2 STEPS REQUIRED FOR FAST SETTLEMENT OF GRIEVANCES

Sl. No.	Nature of Complaint	Contact Office	Action to be taken
1.	Complaint regarding allocation of Shares, Refund order under Offer for Sale, 2004 by Govt. of India	Shri Ramesh Aggarwal, Director, MCS Ltd. 77/2A, Hazra Road, Kolkata-700029 Phone Nos.033-24541892-1893 Fax No. 033-24541961. e-mail: mcskol@rediffmail.com	Application giving details of Application No., No. of shares applied, No. of Shares allotted, DP ID, Client ID, Nature of complaint, Applicant Name(s) & complete postal address.
2.	Dividend from financial years 1999-2000 (final) to 2006-07 (interim) and all matters pertaining to Bonus Shares and shares held in Physical mode; ***For Physical Shares-*** Change of address, status, Bank account, mandate, ECS mandate etc.	M/s Karvy Computershare Pvt. Ltd., Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081. Phone Nos. 040- 23420815-819. Fax No: 040- 23420814. e-mail: mailmanager@karvy.com OR Karvy Computershare Private Ltd., 105-108 Arunachal Building, Ist floor, 19, Barakhambha Road, New Delhi-110001, Phone Nos. 011-41036370 (tele-fax) & 43528522 e-mail: delhi@karvy.com	Letter on plain paper stating the nature of complaint, Folio, DPID, Client ID No; lodging of original shares and other documents / instruments as the case may be. **Members are requested to apply for renewal or issue of duplicate dividend warrants for the final Dividend 1999-00 before 30th September, 2007. After 30th September, 2007, the unpaid dividend amount for the year 1999-00 will be transferred by the Company to the Investor Education & Protection Fund (IEPF) set up by Govt. of India and no claim will lie neither against IEPF nor against the Company.**
3.	***For Dematted Shares-*** Change of address, status, Bank account, mandate, ECS mandate etc.	Concerned Depository Participant (DP) where the Shareholder is maintaining his/her account	As per instructions of DP
4.	All complaints except of Sl. No.3	Company Secretary Oil and Natural Gas Corporation Ltd.; 124, Indira Chowk, New Delhi-110001 Phone: 011-23301277 & 23301257 e-mail: secretariat@ongc.co.in	On plain paper stating nature of complaint, folio/DPID/Client ID No., Name and address. e-mail: secretariat@ongc.co.in

7.3.3 INVESTOR RELATIONS CELL

In line with global practices, the Company is committed to maintain, the highest standards of Corporate Governance, reinforcing the relationship between the Company and its Shareholders. ***'Investor Service Center'*** with information frequently required by investors and analysis, launched from 9th May, 2005 on the Company's corporate website ***ongcindia.com.*** This website provides updates on financial statements, investor-related events and presentations, annual reports, dividend information and shareholding pattern along with media releases, company overview and report on Corporate Governance etc.

The inplace reserve information will help tremendously in arriving at investment decision by by FIIs, OCBs, NRIs, Institutional Investors and the small shareholders. Also existing and potential investors will be able to interact with the Company through this link for their queries and seeking information.

A Core Team comprising of senior, seasoned and experienced officials, headed by Director (Finance) had been assigned the responsibilities for up-keeping the said link and also to serve as a platform for the shareholders to express their opinions, views, suggestions, etc. to understand the influencing factors in their investment decision-making process. Besides, the said team is also instrumental to maintain close liaison and to share information through periodic meets including tele-conferencing in India and abroad, regular press meets with investment bankers, research analysts, the media, institutional investors etc. The Company is committed to take such other steps as may be necessary to fulfill the expectations of the stakeholders.

7.4 HUMAN RESOURCE MANAGEMENT COMMITTEE

Composition, Meetings and Attendance

The terms of reference include consideration of all issues / areas concerning Human Resource Planning & Management, HR policies & Initiatives and Promotions from E6 to E7 and above level.

Minutes of the meetings of the Human Resource Management Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in the ensuing Board Meeting.

During the year 2006-07 **seven** meetings were held on April 12, June 06, July 25, September 06 and December 23, 2006, January 29/30, and March 8, 2007. These meetings were attended by the members of the Committee, as under:

Members	Meetings held during the tenure	Meetings attended
Dr. Bakul H. Dholakia, Member (from 08.08.06) Chairman (from 11.09.06)	5	4
Shri Rajesh V. Shah, Chairman (upto 10.09.06)	4	4
Shri P. K. Choudhury (from 08.08.06)	5	3
Shri R. S. Sharma	7	7
Shri Subir Raha (upto 24.05.06)	1	0
Shri Anil Razdan(upto 08.03.07)	4	2
Shri S. Sundareshan (from 10.05.07)	N. A.	N. A.
Dr. A. K. Balyan	7	7
Shri A. K. Hazarika	7	6
Shri N. K. Mitra	7	7
Shri D. K.Pande	7	7
Shri U. N. Bose	7	7
Shri M. M. Chitale	4	4
Shri U. Sundararajan	4	2

7.5 PROJECT APPRAISAL COMMITTEE

The Project Appraisal Committee examines and makes recommendations to the Board on projects/capital investment exceeding Rs.150 Crore. Proposals exceeding Rs.150 Crore are appraised in-house, while the proposals exceeding Rs.250 Crore are first appraised by outside technical and financial consultants. It monitors IOR / EOR Schemes. Shri V. P. Singh, an independent Director is the Chairman (from 08.08.06) and Shri U. Sundararajan, an independent Director was the Chairman (upto 10.09.06). Director (T&FS) acts as a Member-convenor of the Committee.

Minutes of the meetings of Project Appraisal Committee are approved by the Chairman of the Committee and are noted and confirmed by the Board in the ensuing Board Meeting.

Composition, Meetings and Attendance

During the year 2006-07, **six** meetings were held on: April 11, July 25, August 8, October 19, November 7, 2006 and January 29, 2007. These meetings were attended by the members of the Committee, as under:

Members	Meetings held during the tenure	Meetings Attended*
Shri V. P. Singh, Chairman Member (from 08.08.06) Chairman (from 11.09.06)	3	3
Shri U. Sundararajan, Chairman (upto 10.09.06)	3	2
Shri R. S. Sharma	6	6
Shri P. K. Choudhury (from 08.08.06)	3	1
Shri S. Sundareshan (from 10.05.07)	N. A.	N. A.
Smt. Sindhushree Khullar (from 10.05.07)	N. A.	N. A.
Shri Anil Razdan (upto 08.03.07)	3	2
Shri Ashok Chawla (upto 08.03.07)	3	0
Dr. A. K. Balyan	6	3
Shri A. K.Hazarika	6	4
Shri N. K. Mitra	6	6
Shri D. K.Pande	6	4
Shri U. N.Bose	6	6
Shri M. M. Chitale (upto 10.09.06)	3	3
Shri Rajesh V. Shah (upto 10.09.06)	3	3

***Note:** The functional Directors attended only those meetings concerning the Projects of their responsibilities.

7.6 SHARE TRANSFER COMMITTEE

In order to expedite the process of share transfers and other related activities, the Share Transfer Committee has been empowered to approve the requests received for share transfer/ transmission/ transposition, issue of duplicate share certificates, sub-division, consolidation, re-materialization, change of status etc. These requests are processed through the Registrar & Share Transfer Agent, M/s Karvy Computershare Private Ltd. generally once in a fortnight. The details of transfers are reported to the Board of Directors at the ensuing meeting. The Committee is headed by Shri P. K. Choudhury, an independent Director from 08.08.2006. Prior to that the Committee was headed by Director (Finance).The Company Secretary acts as a convenor to the Committee. Effective from 10th April, 2007 the Committee has delegated the power of approving transfer of securities etc. to an Officers Committee.

Minutes of the meetings of the Share Transfer Committee are circulated to the members of the Committee and the Board is kept apprised.

Composition, Meetings and Attendance

During the year 2006-07, **nineteen** meetings were held on: April 10 & 25, May 15 & 30, June 16 & 29, July 12 & 29, August 17, September 6 & 19, October 19 , November 01 & 30 and December 15, 2006, January 02 & 30, February 23 and March 30, 2007. These meetings were attended by the members of the Committee, as under:

Members	Meetings held during the tenure	Meetings attended
Shri P. K. Choudhury, Chairman (from 08.08.06)	11	8
Dr. R. K. Pachauri (from 08.08.06)	11	3
Shri R. S. Sharma	19	19
Dr. A. K. Balyan	19	16

7.7 HEALTH, SAFETY & ENVIRONMENT COMMITTEE

The terms of reference includes review of policy, processes and systems on Safety, Health, Environment and Ecology aspects. Dr R. K. Pachauri, an independent Director is heading the Committee w.e.f. 11.09.2006. Prior to that Shri U. Sundararajan, an independent Director was the Chairman of the Committee. Director (Onshore) acts as a Member-convenor.

The other members of the Committee are / were Shri S. Sundareshan (from 10.05.07), Shri V. P. Singh (from 08.08.06), Dr. Bakul H. Dholakia (from.08.08.06), Shri Anil Razdan (upto 08.03.07), Shri R. S. Sharma, Shri Subir Raha (up to 24.05.06), Dr. A. K. Balyan, Shri A. K. Hazarika, Shri N. K. Mitra, Shri D. K. Pande, Shri U. N. Bose, Shri Rajesh V. Shah and Shri M. M. Chitale (upto 10.09.06) .

7.8 FINANCIAL MANAGEMENT COMMITTEE

The Committee was constituted on 08.08.2006. The mandate includes to look into the matters pertaining to Budget, Delegation of powers (Empowerment) Commercial Issues, Forex and Treasury Management, Investments, Risk Management, Capital Structure, Issue of Securities, Short & Long Term Loans, periodical Performance Review of subsidiaries.

The Committee is headed by Dr. Bakul H. Dholakia, an independent Director. Director (Finance) is the Member - convenor.

Minutes of the meetings of the Financial Management Committee are circulated to the members of the Committee and the Board is kept apprised.

Shri V. P. Singh, Shri P. K. Choudhury, Shri Ashok Chawla (upto 08.03.07), Smt. Sindhushree Khullar (from 10.05.07) and concerned functional Directors are/were the members.

During the year 2006-07, two meetings of the Committee were held on October 18, 2006 and March 8,2007. These meetings were attended by the members of the Committee, as under:

Members	Meetings held during the tenure	Meetings Attended
Dr. Bakul H. Dholakia, Chairman	2	1
Shri R.S. Sharma	2	2
Shri V. P. Singh	2	2
Shri P.K.Choudhury	2	1
Smt. Sindhushree Khullar (from 10.05.07)	N. A.	N. A.
Shri Ashok Chawla (upto 08.03.07)	1	0

7.9 BUSINESS DEVELOPMENT COMMITTEE

In order to oversee new areas of business, proposals for collaborations, Joint Ventures, amalgamation, mergers and acquisitions; commercial matters including marketing etc. a Committee under the Stewardship of Dr. R. K. Pachauri, an Independent Director has been constituted on 8th August, 2006. Other members include Shri Anil Razdan and Shri Ashok Chawla (upto 08.03.07) Shri V. P. Singh and all functional Directors. The Managing Directors of OVL & MRPL are the invitees. Director (Human Resource) is the convenor-Member of the Committee.

7.10 OTHER FUNCTIONAL COMMITTEES

Apart from the above, the Board also from time to time, constitutes Functional Committees with specific terms of reference as it may deem fit. Meetings of such Committees are held as and when need for discussing the matter concerning the purpose arises.

Time schedule for holding the meetings of such functional committee(s) are finalised in consultation with the Committee Members. Minutes of the meetings of all such functional Committees are circulated to the members of the Committee and the Board is kept apprised.

7.11 PROCEDURE AT COMMITTEE MEETINGS

Company's guidelines relating to Board Meetings are applicable to Committee Meetings as far as may be practicable. Each Committee has the authority to engage outside experts, advisers and counsels to the extent it considers appropriate to assist the Committee in its work. Minutes of the Committee meetings are circulated to the members of the Committee and the same are noted, ratified and approved by the Board of Directors.

8. CODE OF CONDUCT FOR MEMBERS OF THE BOARD AND SENIOR MANAGEMENT

The Company is committed to conducting business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. A code of conduct, evolved in line with the industry practices was adopted by the Board on the recommendations of Audit and Ethics Committee. All Members of the Board and Senior Management i.e. 'Key Executives' have confirmed compliance with the Code of Conduct for the year under review. A copy of the Code has been placed on the Company's website www.ongcindia.com.

A declaration signed by Chairman & Managing Director is given below:

"I hereby confirm that:

The Company has obtained from the Members of the Board and Key Executives (Senior Management Personnel), affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2006-07."

R.S. Sharma
Chairman & Managing Director

8.1 ONGC CODE ON INSIDER TRADING

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the 'Code of Conduct for Prevention of Insider Trading'. The objective of the Code is to prevent purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, insiders (Directors, Advisors, Key Executives, Designated Employees and other concerned persons) are prohibited to deal in the Company's shares during the closure of Trading Window. To deal securities, beyond specified limit permission of Compliance Officer is also required. All Directors/Advisors/Officers/designated employees are also required to disclose related information periodically as defined in the Code, which in turn is being forwarded to the Stock Exchanges. Company Secretary has been designated as the Compliance Officer.

8.2 CEO/CFO CERTIFICATION

In terms of Clause 49 of the Listing Agreement, the certification by the CEO/CFO on the financial statements and internal controls relating to financial reporting has been obtained.

9. SUBSIDIARY MONITORING FRAMEWORK

All subsidiaries of the Company are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. As a majority shareholder, the Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of such companies periodically.

The Company has wholly-owned non-listed non-material subsidiary companies. In terms of Clause 49.III (ii) and (iii) of the Listing Agreement, their performance has been reviewed by the Audit and Ethics Committee and the Board by the following means:

a) Financial Statements for the year/period ended 31st March, 2007, in particular the investments made by the non-listed subsidiary companies, are reviewed by the Audit and Ethics Committee;

b) Minutes of the meetings of the Board of Directors are placed before the Company's Board, periodically.

c) The Company does not have any Material Non-listed Subsidiary in terms of Clause 49 of the Listing Agreement.

d) M/s. ONGC Do Brasil Exploracao Petrolifera Ltda., ONGC Amazon Alaknanda Ltd., and BC-10 Compos Holding Ltda. became subsidiaries on 7th July & 8th August, 2006 and 16th March, 2007 and there being no transaction, their performance was not reviewed.

e) Brief of the Company's subsidiary companies as on 31st March, 2007:

Sl. No.	Name of the Subsidiary	Date of Incorporation	Country in which incorporated	Material/Non-material/ Listed/Non-listed
1	Mangalore Refinery and Petrochemicals Ltd.	07.03.1988	India	Listed
2	ONGC Videsh Ltd.	05.03.1965	India	Non-material/Non-listed
3	ONGC Nile Ganga BV	12.03.2003	Netherlands	-do-
4	ONGC Narmada Ltd	07.12.2005	Nigeria	-do-
5	ONGC Do Brasil Exploracao Petrolifera Ltda.	07.07.2006	Brazil	-do-
6	ONGC Amazon Alaknanda Ltd.	08.08.2006	Bermuda	-do-
7	BC-10 Compos Holding Ltda.	16.03.2007	Brazil	-do-

10. COMPLIANCE OFFICER

The Company Secretary has been nominated as the Compliance Officer.

11. ANNUAL GENERAL MEETINGS

Location, date and time, where the AGMs were held during the preceding 3 years:

Year	Location	Date	Time (IST) (hrs.)
2003-04	Convention Hall, Hotel Ashok, 50-B Chanakyapuri, New Delhi-110021	29.09.2004	11:00
2004-05	Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi- 110049	21.09.2005	11:00
2005-06	Air Force Auditorium, Subroto Park, New Delhi-110010	19.09.2006	10:30

There was no special Resolution passed by the Company at the last AGM, nor any Resolution was passed by the Company's members through postal ballot. At the ensuing AGM also, there is no Resolution proposed to be passed through postal ballot.

12. DISCLOSURES

12.1 MATERIAL CONTRACTS/RELATED PARTY TRANSACTIONS

The Company has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/or Partners except with certain PSUs, where the Directors are Directors without the required shareholdings. The Company has obtained declarations from all concerned in this regard, which were noted by the Board.

Transactions with Related Parties are disclosed in Note No. 31 of Schedule 28 to the Accounts in the Annual Report. Being a State enterprise, no disclosure has been made in respect of the transactions with subsidiary companies in line with Accounting Standard-18 on Related Party Transactions.

12.2 COMPLIANCES

The Company has complied with applicable rules and the requirement of regulatory authorities on capital market and no penalties or strictures were imposed on the Company during last three years.

All Returns/Reports were filed within stipulated time with stock exchanges/other authorities. .

13. MEANS OF COMMUNICATION

- ***Quarterly/Annual Results:*** The Company regularly intimates un-audited as well as audited financial results to the Stock Exchanges, immediately these are taken on record/ approved. These financial results are normally published in Times of India, Business Standard, Economic Times (English), Navbharat Times and Jansatta (Hindi), other dailies having wide circulation across the country. The results are not sent individually to the shareholders. The results are also displayed on the website of the Company www.ongcindia.com and simultaneously posted on the Electronic Data Information Filing and Retrieval website namely www.sebiedifar.nic.in. The website is also accessible through a hyperlink 'EDIFAR' from SEBI's official website, www.sebi.gov.in. The results are posted on NSE Electronic Issuer Interface (NSEEII) www.nseeii.com.

- ***News Release, Presentation etc.:*** The official news releases, detailed presentations made to media, institutional investors, financial analysis etc. are displayed on the Company's website www.ongcindia.com.

- ***Website:*** The Company's website www.ongcindia.com. Contains separate dedicated section *'Investor Relations'* where the shareholders information is available. Full Annual Report, Shareholding Pattern and Corporate Governance Report etc. is also available on the web-site in a user-friendly manner.

- ***Annual Report:*** Annual Report containing inter-alia, Audited Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Corporate Governance Report including Information for the Shareholders and other important information is circulated to the members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report duly reviewed and approved by the Board forms part of the Directors' Report in Annual Report.

14. SHAREHOLDERS' INFORMATION:

14.1 ANNUAL GENERAL MEETING:

- Date : 19th September, 2007.
- Time : 10.00 A.M.
- Venue : Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi-110049.

14.2 FINANCIAL CALENDAR (Tentative):

Adoption of Quarterly Results for the Quarter ending	3rd/4th Week of:
• June 30, 2007	July, 2007
• September 30, 2007	October, 2007
• December 31, 2007	January, 2008
• March 31, 2008 (audited)	June, 2008

14.3 BOOK CLOSURE PERIOD:

Wednesday, the 5th September to Wednesday, 19th September, 2007 (both days inclusive)for payment of final Dividend.

14.4 DIVIDEND PAYMENT DATE: On or after 20th September, 2007.

14.5 LIQUIDITY OF SHARES:

The equity shares of the Company are part of the S&P CNX Nifty Index and are listed on the following Stock Exchanges:

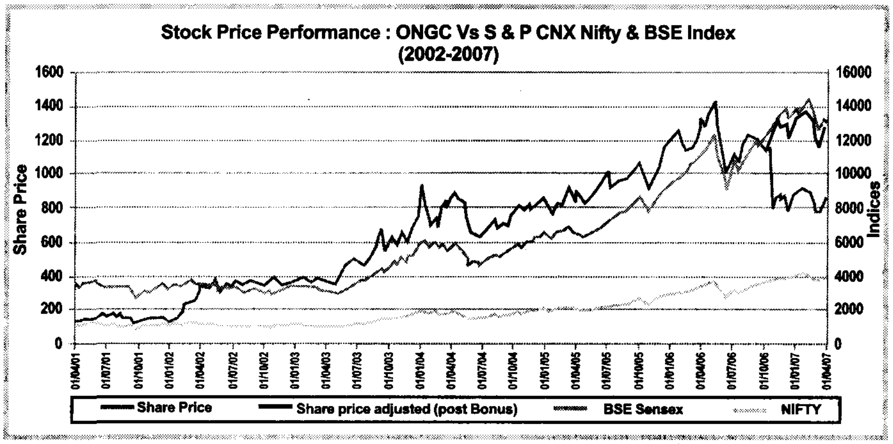
Name & Address	Telephone/Fax/E-mail ID/Website ID	Trading Symbol
Bombay Stock Exchange, (BSE) P.J.Towers, Dalal Street, Fort, Mumbai - 400001	Telephone:022-2655860/61 Facsimile: 022-22722037/39/41 E-mail: **listing@bseindia.com** Website :www.bseindia.com	500312 ONG CORP. LTD
National Stock Exchange of India Ltd.(NSE) Exchange Plaza, Bandra - Kurla Complex, Bandra (East), Mumbai - 400051	Telephone: 022-2659 8100 Facsimile: 022-2659 8237/38 E-mail: **cmlist@nse.co.in** Website:www.nseindia.com	ONGC

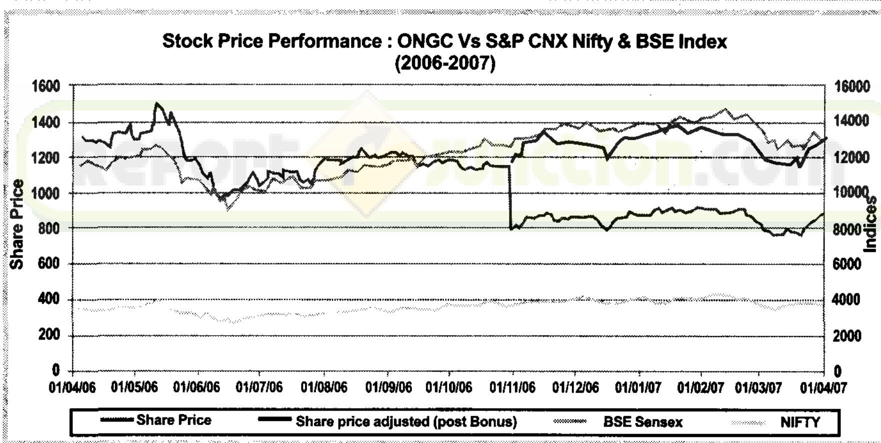
14.6 LISTING FEES

Annual listing fees for the year 2006-07, as applicable have been paid to the above Stock Exchanges.

14.7 DEMAT ISIN NUMBERS IN NSDL & CDSL: INE213A01011

14.8 STOCK MARKET INFORMATION





14.8.1 STOCK MARKET DATA

Month	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
Apr'06	1386.50	1243.45	48,05,243	1385.45	1243.50	4,89.21.993
May'06	1514.00	1052.05	1,29,90,815	1513.90	1050.10	4,00,49,669
Jun'06	1129.95	961.05	91,81,728	1130.35	959.45	3,80,66,483
Jul'06	1182.10	1028.35	80,26,978	1182.45	1028.45	2,85,19,968
Aug'06	1239.15	1161.60	44,84,484	1241.90	1161.75	1,86,05,068
Sep'06	1228.25	1150.10	37,55,671	1229.65	1149.65	183,55,609
Oct'06	1172.00* 815.70**	1128.00* 789.30**	1,20,837	1173.20* 815.75**	1129.40* 789.50**	2,33,24,764
Nov'06	880.85	804.00	1,52,149	881.75	804.10	3,46,67,243
Dec'06	888.10	789.00	1,26,796	887.75	789.85	2,84,35,275
Jan'07	938.00	861.00	60,68,487	936.80	860.00	2,72,07,385
Feb'07	919.00	750.00	48,16,210	928.10	726.50	2,09,97,753
Mar'07	884.00	753.40	49,82,241	885.00	751.10	2,44,20,676

Source: Web-sites of BSE& NSE. * Pre-Bonus Rates ** Post-Bonus Rates

14.9 REGISTRAR AND TRANSFER AGENTS (RTA)

M/s Karvy Computershare Private Ltd. (Karvy) Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081. Phone Nos. 040-23420815-819. Fax No: 040- 23420814 e-mail: mailmanager@karvy.com are the Registrar and Share Transfer Agent for Physical Shares. Karvy is also the depository interface of the Company with both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

Keeping in view the convenience of the shareholders, documents relating to shares and any other documents are accepted at Karvy Computershare Private Ltd.,105-108 Arunachal Building, 1st floor, 19, Barakhambha Road, New Delhi-110001, Phone Nos. 011-41036370 (tele-fax) and 011-43528522 email **delhi@karvy.com** and at the Company at 8th floor, Jeevan Bharti Tower-II, 124, Indira Chowk, New Delhi-110-001, Phone Nos, 011-23301257 & 23301299, e-mail: secretariat@ongc.co.in.

15. SHARE TRANSFER SYSTEM

With a view to expedite the process of share transfer which are received in physical form, the Board of Directors of the Company had constituted a Committee' Share Transfer Committee' which usually meets in a fortnight to consider and approve the shares received for transfer, transmission, re-materialization and de-materialization etc. The shares for transfers received in physical form are transferred expeditiously, provided the documents are complete and the share transfer is not under any dispute. Effective from 10th April, 2007, the authority for approving transfer, transmission etc. has been delegated to an Officers Committee. A summary of transfer/ transmission of securities so approved by the Committee / Officers are placed periodically at Share Transfer Committee/ Board Meetings. The share certificates duly endorsed are returned immediately to the shareholders by RTA. Confirmation in respect to the requests for de-materialization of shares is sent to the respective depositories i.e. NSDL and CDSL, expeditiously.

Pursuant to the Clause 47-C of the Listing Agreement with the Stock Exchanges, Certificates on quarterly basis confirming due compliance of share transfer formalities by the Company, Certificate for timely de-materialization of the shares as per SEBI (Depositories and Participants) Regulations, 1996 and a Secretarial Audit Report for re-conciliation of the share capital of the Company obtained from practising Company Secretary were submitted to Stock Exchanges within stipulated time.

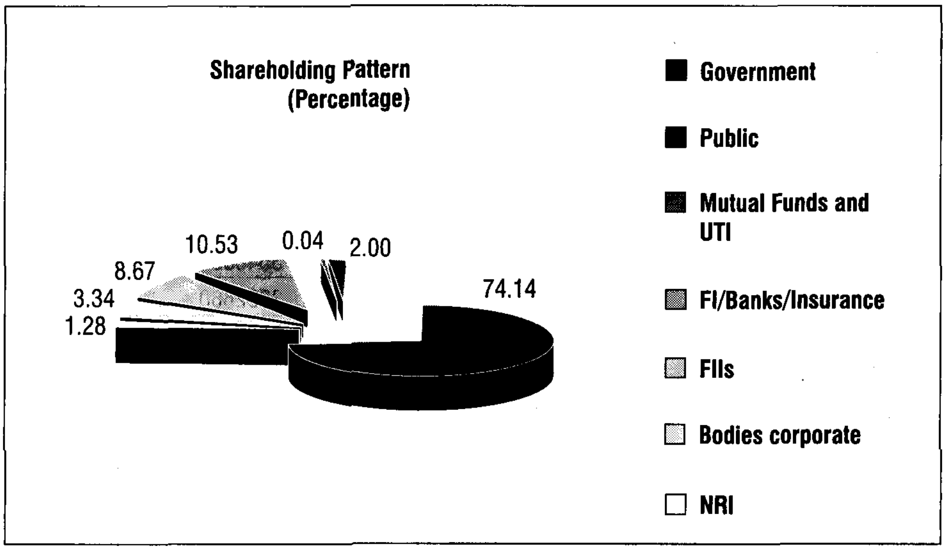
The total number of transfer deeds processed and shares transferred during the last three years are as under:

Years	No. of Transfer Deeds processed	No. of Shares Transferred
2006-07	216	36,943
2005-06	563	71,319
2004-05	964	1,34,732

As on 31st March, 2007, 10 requests involving transfer of 2,131 shares were under process. The requests were less than 15 days old and have since been processed.

16. SHARE OWNERSHIP PATTERN AS ON 31st MARCH, 2007

Category	No. of Shares held	Percentage of Shareholding
President of India	158,57,40,673	74.14
Banks, Financial Institutions and Insurance Companies	7,13,96,962	3.34
Foreign Institutional Investors	18,53,77,022	8.67
Mutual Funds & UTI	2,73,68,047	1.28
NRIs & OCBs	9,21,821	0.04
Bodies Corporate:		
- Government	21,58,81,124	10.09
- Others	95,38,441	0.44
Public	4,26,48,440	2.00
Total	**213,88,72,530**	**100.00**



16.1 TOP 10 SHAREHOLDERS AS ON 30th JUNE, 2007.

Sl. No.	Name of the Shareholder	No. of Shares held	% of total Shareholding
1	President of India	1585740673	74.14
2	Indian Oil Corporation	164480857	7.69
3	GAIL (India) Ltd.	51400267	2.40
4	Life Insurance Corporation of India	47503686	2.22
5	Euro Pacific Growth Fund	36339064	1.70
6	Capital World Growth And Income Fund, Inc.	21439168	1.00
7	Franklin Templeton Investment Funds	10761655	0.50
8	HSBC Global Investment Funds A/C- HSBC Global Investment Funds Mauritius Ltd.	10181637	0.48
9	New World Fund Inc	7868389	0.37
10	Capital Income Builder, Inc.	6150000	0.29

16.2 DISTRIBUTION OF SHAREHOLDING BY SIZE AS ON 31st MARCH, 2007.

Number of Shares	Number of Share- Holders	% of Share- Holders	Total Number of Shares	Percentage
1 - 500	399239	95.37	249180770	1.17
501 - 1000	14658	3.50	110575990	0.52
1001- 2000	3392	0.81	43464690	0.20
2001 - 3000	349	0.08	8713580	0.04
3001 - 4000	155	0.04	5392720	0.03
4001- 5000	85	0.02	3824690	0.02
5001 -10000	170	0.04	12130890	0.06
10001 - above	565	0.13	20955441970	97.97
Total	**418603**	**100.00**	**21388725300**	**100.00**

Unclaimed final dividend for the year 1999-00 is due for transfer to Investors' Education and Protection Fund (IEPF) established by Govt. of India on or before 26th October, 2007. All Shareholders, whose dividend is unpaid, are requested to lodge their claim with M/s Karvy, the RTA by submitting an application before 30th September, 2007. Kindly note that no claims will lie against the Company or the IEPF once the dividend amount is deposited in IEPF.

Members who have not encashed their dividend warrants within their validity period may write to the Company at its Registered Office or M/s Karvy Computershare Private Ltd., Registrar & Transfer Agents of the Company, for revalidating the warrants or for obtaining duplicate warrants/or payments in lieu of such warrants in the form the demand draft.

Shareholders who have not encashed their warrants pertaining to payment on account of fraction bonus shares, within the validity period, are requested to submit the payment warrants for revalidation to M/s. M.M. Chitale & Co., Chartered Accountants, 204/205 Agarwal Shyamkamal-A, Vile Parle (E), Mumbai - 400 057, the trustee.

Given below are the proposed dates for transfer of the unclaimed dividend to IEPF by the Company:

Financial Year	Date of Declaration	Proposed Date for Transfer to IEPF*
1999 - 00 -Final	 27.09.2000	 26.10.2007
2000 - 01	27.09.2001	26.10.2008
2001 - 02	20.09.2002	19.10.2009
2002 - 03 -Interim -Final	 31.01.2003 29.09.2003	 28.02.2010 28.10.2010
2003-04 -Interim -Final	 04.02.2004 29.09.2004	 03.03.2011 28.10.2011
2004-05 -Interim - Final	 24.12.2004 21.09.2005	 23.01.2012 20.10.2012
2005-06 -Interim -Final	 23.12.2005 21.09.2006	 22.01.2013 20.10.2013
2006-07 -Interim - Final	 28.12.2006 19.09.2007	 27.01.2014 18.09.2014

* Indicative dates, actual dates may vary.

19. DEMATERIALISATION OF SHARES

The shares of the Company are in compulsory dematerialized segment and are available for trading in depository system of both National Securities Depository Limited and Central Depository Services (India) Limited. As on 31st March, 2007, 55,00,76,764 Equity shares, forming 99.44% of divested shareholding in the hands of the public, stood de-materialized. Small shareholders can approach separate window at Stock Exchanges to sell up to 500 shares in physical form.

20. OUTSTANDING GDRs /ADRs/ WARRANTS OR CONVERTIBLE BONDS

No GDR/ADR/ Warrant or Convertible Bond has been issued by the Company.

21. LEGAL PROCEEDINGS

No case and/or suit of any material or substantial nature has been pending against the Company.

22. ASSETS /BASINS/ PLANTS/REGIONS/INSTITUTES/ MAJOR PROJECTS

A. ASSETS

1. Mumbai High Asset, Mumbai
2. Neelam & Heera Asset, Mumbai
3. Bassein & Satellite Asset, Mumbai
4. Ahmedabad Asset, Ahmedabad
5. Ankleshwar Asset, Mehsana
6. Mehsana Asset, Mehsana
7. Rajamundry Asset, Rajamundry
10. Karaikal Asset, Karaikal
11. Assam Asset, Nazira
12. Tripura Asset, Agartala

B. BASINS

1. Western Offshore Basin, Mumbai
2. Western Onshore Basin, Baroda
3. KG Basin, Rajamundry
4. Cauvery Basin, Chennai
5. Assam & Assam-Arakan Basin, Jorhat
6. CBM- BPM Basin, Kolkata
7. Frontier Basin, Dehradun

C. PLANTS

1. Uran Plant, Uran
2. Hazira Plant, Hazira

D. REGIONS

1. Mumbai Region, Mumbai
2. Western Region, Baroda
3. Eastern Region, Nazira
4. Southern Region, Chennai
5. Central Region, Kolkata

E. INSTITUTES

1. Keshava Deva Malaviya Institute of Petroleum Exploration (KDMIPE), Dehradun
2. Institute of Drilling Technology(IDT), Dehradun
3. Institute of Reservoir Studies, Ahmedabad
4. Institute of Oil & Gas Production Technology, Navi Mumbai
5. Institute of Engineering & Ocean Technology, Navi Mumbai
6. Geo- data Processing & Interpretation Center(GEOPIC), Dehradun
7. ONGC Academy, Dehradun
8. Institute of Petroleum Safety, Health & Environment Management, Goa
9. Institute of Biotechnology & Geotectonics Studies, Jorhat
10. School of Maintenance Practices, Vadodara
11. Regional Training Institutes, Navi Mumbai, Chennai, Sivasagar & Vadodara

F. SERVICES

1. Drilling Services, Mumbai
2. Well Services, Mumbai
3. Geo - physical Services, Dehradun
4. Logging Services, Baroda
5. Engineering Services, Mumbai
6. Offshore Logistics, Mumbai
7. Technical Services, Dehradun
8. Info-com Services, New Delhi
9. Corporate Planning, New Delhi
10. Human Resource Development, Dehradun
11. Employee Relations, Dehradun
12. Security, Dehradun
13. Company Secretary, New Delhi
14. Marketing, New Delhi
15. Corporate Affairs & Co-ordination, New Delhi
16. Corporate Communication, New Delhi
17. Health, Safety & Environment, Mumbai
18. Material Management, Dehradun
19. Legal, New Delhi
20. Medical, Dehradun
21. Internal Audit, New Delhi
22. Commercial, New Delhi
23. Exploration & Development, Dehradun

23. INVESTOR SERVICES

The Company serves its investors through its own Investors' Service Cell and Registrar & Transfer Agent, M/s. Karvy Computershare Pvt. Ltd. who have adequate computer hardware & software and VSAT connectivity with both the depositories, which facilitate better and faster service to the investors.

Other facilities, such as remittance of dividend through Electronic Clearing Services (ECS), Bank mandate, incorporation of Bank details on dividend warrants, direct deposit of dividends, reminders for unclaimed dividends, nomination facility, issue of Public Notice for lost share certificates, issue of duplicate share certificates, etc. are also extended.

23.1 ADDRESSES FOR SHAREHOLDERS' CORRESPONDENCE

Investor Correspondence: For transfer/transmission/ dematerilisation of shares, payments of dividend, bonus shares and other query relating to shares of the Company:

- ***For Shares held in Physical Form***
  M/s Karvy Computershare Private Ltd.
  Plot No.17-24, Vittal Rao Nagar,
  Madhapur, Hyderabad - 500081
  Telephone: 040- 23420815-819; Fax: 040-23420814
  email:mailmanager@karvy.com

- ***For Shares held in Demat Form***
  To the Investors' Depository Participant(s) and/or Karvy Computershare Private Ltd.

- ***For Offer for Sale made by Govt. in 2004***
  M/s MCS Ltd.
  77/2A, Hazra Road, Kolkata -700029
  Phone Nos. 033-24541892-93 Fax No. 033-24541961
  e-mail: **mcskol@rediffmail.com**

24. RISK MANAGEMENT

The framework for risk assessment and minimisation thereto has been evaluated and further improvements, if any, suggested by experts shall be launched.

25. COMPLIANCE CERTIFICATE OF THE AUDITORS

Certificate from the Auditors of the Company, M/s. K.K. Soni & Co., S.C.Ajmera & Co., P. S. D. & Associates, Singhi & Co. and Padmanabhan Ramani & Ramanujam, Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is annexed to the Directors' Report forming part of the Annual Report.

The Certificate has also been forwarded to the Stock Exchanges where the securities of the Company are listed.

26. ADOPTION OF NON-MANDATORY REQUIREMENTS OF CLAUSE 49

Besides the mandatory requirements, the Company has complied with the following Non-mandatory requirements stipulated under Clause 49

26.1 Remuneration Committee

The Company has constituted Remuneration Committee to recommend/renew payment of sitting fees to part-time non-official Directors. Being a PSU, appointment and terms and conditions of remuneration of Executive (whole-time functional) Directors are determined by the Government through the administrative ministry, the Ministry of Petroleum & Natural Gas.

26.2 Shareholders' Rights

The quarterly financial results are published in leading newspapers as mentioned under the heading 'Means of Communications' and also displayed on the website of the Company. The results are not separately circulated.

26.3 Audit qualification

The Company is in the regime of unqualified financial statements.

26.4 Secretarial Compliance Report

Secretarial Compliance Report confirming Compliance to the applicable provisions of Companies Act, 1956, Listing Agreement, SEBI guidelines and all other related rules and regulations relating to capital market, though not mandatory, obtained from a practising Company Secretary, were noted by the Board and forms part of the Directors' Report.

26.5 Capital Integrity Audit

The Audit Report, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL, is placed before the Board on a quarterly basis. A copy of the Audit Report is submitted to the Stock Exchanges where the securities of the Company are listed.

26.6 Training of Board Members

No specific training programmes were arranged for Board members. However, at the Board / Committee / other meetings, detailed presentations are made by senior executives / professionals/ consultants on business related issues, risk assessment, strategy effect of regulatory changes etc.

26.7 Mechanism for evaluating Non-executive Board Members

The Company has not adopted any mechanism for evaluating individual performance of non-executive Board members.

26.8 Whistle Blower Policy

Being a PSU, the guidelines of CVC are applicable; therefore no separate mechanism has been formulated.

27. FEE TO STATUTORY AUDITORS

The fee paid / payable to the Statutory Auditors for the year was Rs. 67.50 lac (previous year Rs. 54.40 lac) including Rs. 5.00 lac (Previous year Rs. 3.75 lac) as fee for certification of Corporate Governance Report and Rs. 18.75 lac for Limited Review report.

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To
The Members
Oil And Natural Gas Corporation Ltd.

We have examined the Compliance of conditions of Corporate Governance by **Oil And Natural Gas Corporation Limited** for the year ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination as carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing agreement) issued by the Institute of Chartered Accountants of India and was limited to review the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company, except that the Board of Directors does not comprise of the required number of independent directors as per the terms of provisions of Clause 49 of the Listing Agreement, has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that except for grievances relating to offer for sale of up to 10% equity shares by Government of India made in 2004 and few other investor grievances constrained by incomplete documentation and/or legal impediments, all complaints were settled within a period of one month as per the records maintained by the Shareholders'/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for K. K. Soni & Co.
Chartered Accountants

(S. S. Soni)
Partner (Mem. No. 94227)

for S. C. Ajmera & Co.
Chartered Accountants

(S. C. Ajmera)
Partner (Mem. No. 81398)

for P. S. D. Associates
Chartered Accountants

(Prakash Sharma)
Partner (Mem. No. 72332)

for Singhi & Co.
Chartered Accountants

(Pradeep Kr. Singhi)
Partner (Mem. No.50773)

for Padmanabhan Ramani & Ramanujam,
Chartered Accountants

(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
14th August, 2007.

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SECRETARIAL COMPLIANCE REPORT

The Board of Directors,
Oil and Natural Gas Corporation Ltd.

We have examined the registers, records and documents of **Oil And Natural Gas Corporation Ltd.** (the Company), for the financial year ended on 31st March, 2007 according to the provisions of:

- The Companies Act,1956 and the Rules framed thereunder that Act;
- The Depositories Act,1996 and the Bye-laws framed thereunder;
- The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
- The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and
- The Listing Agreement with The National Stock Exchange Ltd. & The Bombay Stock Exchange Ltd.

Based on our examination and verification of records produced to us and according to the information and explanations given to us by the Company, in our opinion the Company has complied with the provisions of the Act and Rules made thereunder and the Memorandum and Articles of Association of the Company, with regard to:

(a) Maintenance of various statutory registers and documents and making necessary entries therein;

(b) Filing of the requisite forms, returns, documents and resolution with the Registrar of Companies, NCT of Delhi and Haryana within the time prescribed under the Act and the Rules;

(c) Service of documents by the Company on its members and the Registrar of Companies;

(d) Closure of Register of Members and Share Transfer Books of the Company from 8th September, 2006 to 19th September, 2006 (both days inclusive);

(e) Notice of Board Meetings and Committee meetings of the Directors;

(f) Convening and holding of the meetings of the Directors and Committees of the Directors including passing of resolutions by circulation;

(g) The 13th Annual General Meeting held on 19th September, 2006;

(h) Minutes of proceedings of the General Meeting and meetings of the Board and its Committees;

(i) Constitution of Board of Directors and appointment, retirement and re-appointment of Directors;

(j) Appointment of Chairman and Managing Director, Whole Time Directors and non-executive Directors and their remuneration;

(k) Disclosure of Directors' interests and concerns in contracts and arrangements, shareholdings and Directorship in other companies and interests in other entities and noting and recording of the same by the Board;

(l) Forfeiture of 18,972 shares on account of non-payment of calls and compliance with the required provisions of Articles of Association;

(m) Allotment of 71,29,57,510 equity shares of Rs. 10/- each as Bonus Shares in proportion of 1 share for every 2 shares held on 18.11.2006 pursuant to resolution passed by shareholders on 19th September, 2006 and compliance with the relevant requirements of SEBI (Disclosure and Investor Protection) Guidelines, 2000;

(n) Transfers and transmission of shares and issue & delivery of original and duplicate certificates of shares; dematerialisation / rematerialisation of shares;

(o) Declaration and payment of dividend including interim dividend;

(p) Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;

(q) Investment of Company's funds including inter corporate loans and investments;

(r) Appointment and remuneration of Auditors;

(s) Appointment of Cost Auditors under Section 233 B of the Act;

(t) The Company has made application to the Central Government seeking exemption from provisions of Section 212 of the Act in relation to its subsidiary companies for the year 2006-07. The approval/directions of the Central Government are awaited;

(u) The Company wherever necessary has kept in abeyance rights to dividend declared at the Annual General Meeting held on 19th September, 2006 and interim dividend declared on 23rd December, 2006, pending registration of transfer of shares and Bonus Shares where ownership is in dispute in compliance with the provisions of the Act;

(v) The Company has not invited/accepted any deposits falling within the purview of Section 58A of the Act during the financial year;

(w) The Company has not made any secured borrowings during the financial year ended on 31st March, 2007;

(x) The Company has not bought back any shares during the financial year;

(y) The Company has not altered any provisions of its Memorandum of Association and/or Articles of Association during the financial year;

(z) The Company has created a trust, namely, the ONGC Employees Contributory Provident Fund Trust for its employees. The Company has deposited both the employees' and employer's contribution with the above Trust within the prescribed time pursuant to Section 418 of the Act;

(za) There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment was imposed on the Company, its Directors and Officers during the financial year for any offences under the Act. The Company, however, received order under Section 234(1) of the Act calling for information/explanation/records in respect of the Balance Sheet as at 31.03.2004. The Company has furnished the required information/records to the Registrar of Companies, NCT of Delhi and Haryana, New Delhi.

2. We further report that the Company has complied with the provisions of the Depositories Act, 1996 and Bye-laws framed thereunder with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.

3. We further report that:

(i) The Company has complied with the requirements of Listing Agreements entered into with The Bombay Stock Exchange Ltd. and The National Stock Exchange of India Ltd.

(ii) The Company has complied with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to disclosures and maintenance of records required under the Regulations.

(iii) The Company has complied with the provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to disclosures and maintenance of records required under the Regulations.

For A. N. Kukreja & Co.
Company Secretaries

A. N. Kukreja
Proprietor
CP No. 2318

New Delhi
11th July, 2007

ओएनजीसी ONGC

DETAILS OF THE SUBSIDIARY COMPANIES

(Rs. in million)

	Name of Subsidiary Company	ONGC Videsh Ltd.	ONGC Nile Ganga B.V.		ONGC Campos Holding Ltda.		ONGC Do Brasil Exploracao Petrolifera Ltda.		ONGC Narmada Ltd.		ONGC Amazon Alaknanda Ltd.		Mangalore Refinery and Petrochemicals Ltd.
		(Rs. in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)	(US$ in million)	(Rs. in million)
1	Capital	10,000.00	3.69	0.085	3,783.72	87.042	0.02	-	6.77	0.156	19,018.13	437.500	17,618.04
2	Reserves	21,993.47	38,356.71	882.372	(2,411.80)	(55.482)		-	(185.87)	(4.276)	615.76	14.165	9,949.92
3	Total Assets	181,775.35	58,638.16	1,348.934	2,609.94	60.040		-	583.24	13.417	20,949.00	481.919	88,555.83
4	Total Liabilities	181,775.35	24,061.47	553.519	1238.03	28.480		-	762.34	17.537	1315.11	30.254	88,555.83
5	Details of Investment (except in case of investment in the subsidiaries)	1,074.69	-	-	-	-	-	-	-	-	-	-	272.80
6	Turnover	28,634.94	91,318.45	2,016.973	-	-		-	4.06	0.089	1,738.96	38.409	28,6331.40
7	Profit before Taxation	14,405.05	14,968.24	344.335	(715.43)	(16.458)		-	(193.58)	(4.276)	939.91	20.590	10,889.55
8	Provision for Taxation	3,879.49	8,667.92	199.400	-	-		-	-	-	290.89	6.425	5,634.32
9	Profit after Taxation	10,525.56	6,300.32	144.935	(715.43)	(16.458)	-	-	(193.58)	(4.276)	649.02	14.165	5,255.23
10	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	1,402.33

Exchange Rate

As on 31.03.2007 1 US$ = Rs. 43.470

Average Rate for 2006-07 1 US$ = Rs. 45.275

Note:

In view of exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit & Loss Account, Report of Directors' and Auditors' of the Subsidiary Companies are not attached to the Balance Sheet.

ONGC Videsh Ltd.   ONGC Videsh Nile Ganga B.V.   Mangalore Refinery and Petrochemicals Ltd.

Oil and Natural Gas Corporation Ltd.   ONGC Videsh Ltd.   Mangalore Refinery and Petrochemicals Ltd.   ONGC Nile Ganga B.V.

ओएनजीसी ONGC

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF OIL AND NATURAL GAS CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF OIL AND NATURAL GAS CORPORATION LIMITED, ITS SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES.

We have audited the attached Consolidated Balance Sheet of Oil and Natural Gas Corporation Limited ("the Company"), subsidiaries, Joint Ventures and associates (hereinafter referred to as "Group"), as at March 31, 2007 and the consolidated profit and loss account and consolidated cash flow statement for the year ended on that date and annexed thereto. These financial statements are the responsibility of the management of the company and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. We did not audit the financial statements of the subsidiary namely Mangalore Refinery and Petrochemicals Limited, whose financial statements reflect total assets of Rs. 88,555.83 million as at March 31, 2007 and total revenues of Rs. 287,068.28 million and net cash flow amounting to Rs. 1,265.36 Million for the year ended on that date. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this subsidiary is based solely on the report of the other auditors.

3. We did not audit the consolidated financial statements of the subsidiary namely ONGC Videsh Limited (OVL), whose financial statements reflect total assets of Rs. 209,213.04 million as at March 31, 2007 and total revenues of Rs. 118,612.98 million and net cash flow amounting to Rs. 9,561.85 Million for the year ended on that date. These consolidated financial statement of OVL audited by other auditors whose consolidated reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the above is based solely on the reports of the other auditors. This consolidated financial statement comprises of:

   a) Company's share of Assets, Liabilities and expenses in the Joint Ventures of OVL which is based on unaudited financial statements as provided by the respective operators of Joint Venture, except in case of Farsi Block (Iran), Sudan Pipeline, Block A-1 (Myanmar), Block A-3 (Myanmar), Block 5A (Sudan) and Block 5B (Sudan) which are audited as per the respective joint operating agreement **(Refer Note No.17.1.9 of the Schedule-29).**

   b) Financial statements in respect of ONGC Mittal Energy Ltd. (OMEL), a joint venture company of OVL having a total assets of Rs. 5,024.94 million and total revenues of Rs. 30.40 million and cash flows arising there from which have been certified by the Management of OMEL.

   c) Unaudited financial statements of ONGC Campos Ltd. and its group companies which are included in the consolidated financial statements of ONGC Nile Ganga BV (subsidiary of ONGC Videsh Ltd.) reflecting total assets of Rs. 2,609.94 million and total revenue of Rs. Nil.

4. For the purpose of consolidation, financial statement of Pawan Hans Helicopters Ltd., an associate has been considered for the period ended 31st March 2006, pending adjustments for changes on the basis of financials of 31st March 2007. We did not audit the financial statements of this associate which have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this associate, is based solely on the report of the other auditors.

5. We did not audit the financial statements of the following Joint Venture companies:

(Rupees in million)

Sl No.	Name of Joint Venture	Company's share of Total Assets	Company's share of Total Revenue
1	Petronet LNG Ltd.	4,268.27	6,931.34
2	Petronet MHB Ltd.	1,441.10	108.55
3	ONGC Petro Additions Ltd.	54.03	Nil

These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these respective Joint Venture companies is based solely on the report of the respective auditors.

6. We did not audit the financial statements of the following Joint Venture companies:

(Rupees in million)

Sl No.	Name of Joint Venture	Company's share of Total Assets	Company's share of Total Revenue
1	Mangalore SEZ Ltd.	121.75	Nil
2	ONGC Mangalore Petrochemicals Ltd.	33.30	Nil

The unaudited financial statements of the above joint ventures have been certified by the management whose certificates have been furnished to us, and our opinion, in so far it relates to the amounts included in respect of these Joint Ventures are based solely on the certificate of the management.

7. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz., 'Consolidated Financial Statements', and Accounting Standard (AS) 23, viz., 'Accounting for Investment in Associates in Consolidated Financial Statements' and Accounting Standard (AS) 27, viz., 'Financial Reporting of interest in Joint Ventures', issued by the Institute of Chartered Accountants of India.

8. Categorization of wells as exploratory and producing, allocation of cost incurred on them, depletion of producing properties on the basis of the proved developed hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on process platforms to transportation and facilities, projects in progress are made according to evaluation by the management, technical and /or otherwise on which we have placed reliance.

9. Attention is invited to

   a) **Note 4 of Schedule 29** in respect of recognition of Sales Revenue in respect of crude oil and natural gas.

   b) **Note 17.1.5 and 17.1.6 of Schedule 29** regarding inclusion in company's accounts its share in the total value of assets, liabilities, expenditure, income and net profit of 102 NELPs /Joint Ventures (JVs) accounts for exploration and production out of which 75 NELPs /JVs accounts have been certified by other firms of Chartered Accountants and remaining 27 NELPs/JVs are as certified by the management.

10. Subject to our comments in Para 4 above with consequential aggregate effects on the profit for the year, reserves and surplus and net assets, the quantification of which could not be determined, we report as follows:

    On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its subsidiaries, joint ventures and associates and certification of management in respect of unaudited accounts referred to in Para 3 and 6 above, we are of the opinion that the consolidated financial statements read with notes to account give a true and fair view in conformity with the accounting principles generally accepted in India:

    a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Group as at March 31, 2007; and

    b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Group for the year then ended on that date; and

    c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For K.K.Soni & Co.
Chartered Accountants

(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants

(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants

(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants

(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

ओएनजीसी ONGC

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

(Rupees in million)

	Schedule		As at 31st March, 2007	As at 31st March, 2006
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	21,388.87		14,259.30
Call Money		27.59		
Reserves and Surplus	2	645,719.28		553,421.15
			667,135.74	567,680.45
MINORITY INTEREST			8,320.57	7,230.04
LOAN FUNDS				
Secured Loans	3	6,556.69		7,416.17
Unsecured Loans	4	9,448.58	16,005.27	14,925.32
DEFERRED TAX LIABILITY (NET)			81,118.56	71,633.08
LIABILITY FOR ABANDONMENT COST			151,856.76	128,675.17
TOTAL			924,436.90	797,560.23
APPLICATION OF FUNDS				
GOODWILL ON CONSOLIDATION				
Gross		35,934.75		21,787.32
Less: Amortisation		5,318.41		4,684.71
NET			30,616.34	17,102.61
FIXED ASSETS	5			
Gross Block		671,590.53		577,057.66
Less: Depreciation And Impairment		486,235.49		438,251.86
NET BLOCK			185,355.04	138,805.80
CAPITAL WORKS-IN-PROGRESS (NET)	6		64,054.98	76,291.94
PRODUCING PROPERTIES	7			
Gross Cost		699,863.59		612,910.07
Less: Depletion and Impairment		348,122.66		300,270.94
NET PRODUCING PROPERTIES			351,740.93	312,639.13
EXPLORATORY/DEVELOPMENT WELLS -IN-PROGRESS (NET)	8		46,247.76	40,313.85
INVESTMENTS	9		35,832.26	35,578.80
CURRENT ASSETS, LOANS AND ADVANCES				
Interest Accrued	10	7,380.35		4,185.04
Inventories	11	58,743.49		49,432.53
Sundry Debtors	12	48,167.41		44,271.40
Cash and Bank Balances	13A	150,653.10		45,721.13
Deposit with Bank Under Site Restoration Fund Scheme	13B	56,102.86		45,335.56
Loans and Advances	14	67,356.01		116,497.36
Other Current Assets	15	1.40		0.21
		388,404.62		305,443.23
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	16	133,744.87		91,307.56
Provisions	17	49,210.97		40,970.92
		182,955.84		132,278.48
NET CURRENT ASSETS			205,448.78	173,164.75
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	18		5,140.81	3,663.35
TOTAL			924,436.90	797,560.23
SIGNIFICANT ACCOUNTING POLICIES	28			
NOTES TO THE ACCOUNTS	29			

Schedules referred to above form an integral part of the Accounts

For and on behalf of the Board

(S. C. Setia)
Company Secretary

(Dr. A.K. Balyan)
Director (HR)

(R.S.Sharma)
Chairman & Managing Director and Director (Finance)

In terms of our report of even date attached

For K.K.Soni & Co.
Chartered Accountants
(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants
(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants
(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants
(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants
(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

CONSOLIDATED FINANCIAL STATEMENTS
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in million)

	Schedule	2006-07	2005-06
INCOME			
Gross Sales	19	862,761.76	742,340.82
Less : Excise Duty		40,146.28	35,482.25
Net Sales		822,615.48	706,858.57
Other Income	20	47,387.81	27,733.12
		870,003.29	734,591.69
Increase/(Decrease) in stocks	21	9,815.26	(544.60)
		879,818.55	734,047.09
EXPENDITURE			
Purchases		0.00	58.41
Production, Transportation, Selling and Distribution Expenditure	22	470,485.72	391,531.75
Depreciation, Depletion and Amortisation	23	119,677.91	97,852.22
Financing Costs	24	(1,057.95)	1,134.51
Provisions and Write-offs (Net)	25	5,237.08	3,924.72
		594,342.71	**494,501.61**
Profit before Tax, Prior Period and Extraordinary Items		285,475.84	239,545.48
Adjustments relating to Prior Period (Net)	26	(12,754.57)	(6,143.18)
Extraordinary Items-Excess of Insurance Claims over book value (Refer Note 8 of Sch-29)		4,750.61	6,405.39
Profit before Tax		277,471.88	**239,807.69**
Provision for Taxation			
- Current Tax (including Wealth Tax Rs.34.95 million Previous Year Rs. 44.56 million)		88,505.36	69,859.51
- For Earlier years		0.00	815.34
- Deferred Tax		9,399.58	13,704.92
- Fringe Benefit Tax		549.17	552.66
Profit after Taxation		179,017.77	**154,875.26**
Add: Share of Profit/(Loss) in Associates		102.05	106.78
Less: Share of Profit/(Loss)- Minority Interest		1,423.85	1,005.81
Group Profit after Tax		177,695.97	**153,976.23**
Surplus at the beginning		8,847.99	0.75
BALANCE AVAILABLE FOR APPROPRIATION		186,543.96	**153,976.98**
APPROPRIATIONS			
Proposed Dividend on Preferance Shares		0.01	0.00
Proposed Dividend on Equity Shares		27,805.34	28,518.68
Tax on Proposed Dividend		4,983.76	4,171.84
Interim Dividend		38,499.71	35,648.35
Tax on Interim Dividend		5,399.58	4,999.68
Transfer to General Reserve		81,061.34	71,790.45
Balance carried to Balance Sheet		28,794.22	8,847.99
		186,543.96	**153,976.99**
EARNINGS PER EQUITY SHARE	27		
(Face Value Rs. 10/-Per Share)			
Basic & Diluted (Amount in Rs.)			
- before extraordinary items (net of tax)		81.61	70.00
- after extraordinary items		83.08	71.99
SIGNIFICANT ACCOUNTING POLICIES	28		
NOTES TO THE ACCOUNTS	29		

Schedules referred to above form an integral part of the Accounts

For and on behalf of the Board

(S. C. Setia)
Company Secretary

(Dr. A.K. Balyan)
Director (HR)

(R.S.Sharma)
Chairman & Managing Director and Director (Finance)

In terms of our report of even date attached

For K.K.Soni & Co.
Chartered Accountants

(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants

(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants

(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants

(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

Schedule to the Consolidated Balance Sheet

SCHEDULE-1

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
SHARE CAPITAL			
Authorised:			
15000,000,000 Equity Shares of Rs. 10 each		150,000.00	150,000.00
Issued and Subscribed:			
2138,891,502 (1425,933,992) Equity Shares of Rs. 10 each		21,388.92	14,259.34
Paid up :			
2138,872,530 (1425,933,992) Equity Shares of Rs. 10 each	21,388.73		14,259.34
Less : Calls in Arrears (Other than Directors)	0.00		0.04
Add: Share forfeited	0.14		
		21,388.87	14,259.30
TOTAL		21,388.87	14,259.30

Notes : The above includes:

(i) *342,853,716 (342,853,716) Equity Shares issued as fully paid up to the President of India without payment being received in cash in terms of Oil and Natural Gas Commission* (Transfer of Undertaking and Repeal) Act,1993.

(ii) 1,789,397,876 (1,076,440,366) Equity Shares issued as fully paid up by way of bonus shares by capitalisation of General Reserve.

(iii) 18,972 Equity Shares have been forfeited during the year

Schedule to the Consolidated Balance Sheet

SCHEDULE-2

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
RESERVES AND SURPLUS			
Capital Reserve *		333.52	333.52
Government Grant			
a) Opening Balance	38.11		37.33
b) Addition during the year	25.97		11.16
c) Deduction during the year **	6.56		10.38
		57.52	38.11
Security Premium Account***			
a) Opening Balance	1,869.65		1,869.24
b) Addition during the year	0.00		0.41
c) Capitalisation by issue of bonus shares	1,725.32		0.00
	144.33		1,869.65
Premium on Foreign Currency Bonds	168.12	312.45	168.12
Insurance Reserve		2,500.00	2,500.00
General Reserve			
a) Opening Balance	541,774.08		469,983.63
b) Less: Adjustment for Post Retirement Medical & Terminal Benefit (Refer Note 11 of the Sch-29)	389.28		
c) Less: Capitalisation by issue of bonus shares	5,404.25		0.00
d) Transferred from Profit and Loss Account	81,061.34		71,790.45
		617,041.89	541,774.08
Foreign Exchange Translation Reserve		-3,320.32	-2,110.32
Profit and Loss Account		28,794.22	8,847.99
TOTAL		**645,719.28**	**553,421.15**

Note:

Includes Rs. 158.79 million share of jointly controlled entity. (Previous year Rs. 275.74 million)

* Includes Rs. 174.08 million being assesed value of assets received as gift.

** Represents the amount equivalent to Depreciation for the year transferred to Profit and Loss Account.

*** Security premium account is credited only on receipt basis.

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Schedule to the Consolidated Balance Sheet

SCHEDULE-3

(Rupees in million)

			As at 31st March, 2007		As at 31st March, 2006
SECURED LOANS					
(a)	Foreign Currency Term Loans				
	- From Banks		2,677.95		3,776.80
(b)	RupeeTerm Loans				
	- From Banks	2,682.00		2,110.82	
	- From Financial Institutions	725.30		725.30	
	- From Others	249.49	3,656.79	261.25	3,097.37
(c)	Suppliers' Deferred Payment Credit - Foreign Currency		-		467.56
(d)	Working Capital facilities				
	- Rupee Loans from Banks		221.95		74.44
TOTAL			6,556.69		7,416.17

Note: Includes Rs. 2,178.46 million share of jointly controlled entity. (Previous year Rs. 1,574.86 million)

SCHEDULE-4

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
UNSECURED LOANS			
(a)	**Long Term**		
	Oil Industry Development Board	202.18	465.60
	Foreign Currency Loans:		
	- From Banks/Financial Institutions	3,119.93	11,661.56
	Scheduled Banks	0.37	0.00
	Sales Tax Deferment Loan	1,678.64	1,279.44
(b)	**Non - Recourse deferred credit** (in respect of Joint Venture)	1,405.98	1,518.72
(c)	**Cash credit**		
	- From a Bank	3,041.48	0.00
TOTAL		9,448.58	14,925.32
Long term includes Repayable within one year		3,221.18	11,651.56

Note: Includes Rs. 598.04 million share of jointly controlled entity. (Previous year Nil)

Schedule to the Consolidated Balance Sheet

SCHEDULE-5

FIXED ASSETS

(Rupees in million)

Particulars	GROSS BLOCK				DEPRECIATION						NET BLOCK	
	As at 1st April, 2006	Additions during the year	Deletions/ adjustments during the year	As at 31st March, 2007	Up to 31st March, 2006	For the Year	Impairment Loss Charged	Impairment Loss Reversed	Deletions/ Adjustments during the year	Upto 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
Land												
i) Freehold	1,349.47	299.06	5.94	1,642.59	24.98	0.00	13.08	0.00	0.00	38.06	1,604.53	1,324.49
ii) Leasehold	4,508.21	142.60	6.05	4,644.76	203.75	21.04	0.00	0.00	0.00	224.79	4,419.97	4,304.46
Buildings and Bunk Houses*	13,782.30	1,965.39	46.08	15,701.61	6,131.18	439.94	119.57	0.00	49.71	6,640.98	9,060.63	7,651.12
Railway Sidings	89.95	44.67	0.00	134.62	77.58	2.08	0.00	0.00	0.00	79.66	54.96	12.37
Plant and Machinery												
i) Owned	544,406.55	88,505.07	1,216.64	631,694.98	423,669.80	41,345.62	230.12	210.51	(4,585.66)	469,620.69	162,074.29	120,801.15
ii) Taken on Lease	428.13	0.00	0.00	428.13	0.00	0.00	0.00	0.00	0.00	0.00	428.13	363.73
Furniture and Fittings	4,620.75	4,108.75	104.93	8,624.57	2,887.96	483.40	8.92	0.68	1.43	3,378.17	5,246.40	1,732.79
Vehicles,Survey Ships, Crew Boats,Aircrafts and Helicopters	4,843.71	669.94	174.02	5,339.63	3,803.46	392.40	6.03	0.00	94.38	4,107.51	1,232.12	1,040.25
	574,029.07	95,735.48	1,553.66	668,210.89	436,798.71	42,684.48	377.72	211.19	(4,440.14)	484,089.86	184,121.03	137,230.36
Intangibles	3,028.59	353.77	2.72	3,379.64	1,453.15	688.23	4.89	0.00	0.64	2145.63	1,234.01	1,575.44
TOTAL	577,057.66	96,089.25	1,556.38	671,590.53	438,251.86	43,372.71	382.61	211.19	(4,439.50)	486,235.49	185,355.04	138,805.80
Previous year	519,966.47	70,693.56	13,602.37	577,057.66	403,277.09	46,060.94	307.51	150.50	11,243.18	438,251.86	138,805.80	
The above includes the Corporation's share in Joint Venture Assets	31,586.24	49,156.60	114.87	80,628.13	20,124.44	7,111.16	15.27	210.46	59.23	26,981.18	53,646.95	
Previous year	23,328.07	8,347.92	89.75	31,586.24	17,358.63	2,683.90	160.50	0.00	78.59	20,124.44	11,461.80	

*Includes building held for sale-gross value-Rs. 1.30 million, net value of Rs. 0.13 million

Notes:

1. Additions to Plant and Machinery are net of Rs. 306.13 million on account of net exchange loss during the year (Previous year Rs. 30.35 million on account of exchange gain).
2. Land includes land in respect of certain projects for which execution of lease/conveyance deeds are in process.
3. Registration of title deeds in respect of certain Buildings is pending execution.
4. Plant & Machinery-owned includes an amount of Rs. 782.98 million (Previous year Rs. 782.98 million) being MRPL shares of an asset owned together with another company.
5. Net Fixed Assets include Rs. 3,525.72 million share of jointly controlled entity. (Previous year Rs. 2,178.07 million).
6. Depreciation for the year includes Rs. 154.66 million taken to prior period.(Previous year Rs. 1,532.95 million).
7. The addition includes the opening balance of Rs. 1,798.24 million of gross block of M/s.Petronet MHB Ltd.

Schedule to the Consolidated Balance Sheet

SCHEDULE-6

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
CAPITAL WORKS-IN-PROGRESS			
Buildings		69.98	74.20
Plant and Machinery		45,926.40	28,319.60
Overseas Projects		1,150.50	44,007.53
Advances for Capital Works and Progress Payments		2,269.63	2,446.91
Capital Stores (including in transit)	2,182.00		1,542.86
Less: Provision for Non Moving Items	81.97	2,100.03	
Others		13,097.44	
TOTAL		64,613.98	76,391.10
Less : Impairment			
Opening balance		99.16	2.98
Impairment provided for the year		460.35	97.49
Transfer to Fixed Assets		-0.51	-0.30
Write back during the year		0.00	-1.01
TOTAL		559.00	99.16
NET CAPITAL WORKS-IN-PROGRESS		64,054.98	76,291.94

Note: Includes Rs. 668.12 million share of jointly controlled entity. (Previous year Rs. 150.43 million)

SCHEDULE-7

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	612,910.07	512,525.03
Acquisition Cost	2,383.77	11,495.52
Expenditure during the year	21,106.94	7,640.83
Depreciation on facilities	11,313.74	11,145.91
Transfer from Exploratory Wells-in-Progress	3,038.18	1,396.39
Transfer from Development Wells-in-Progress	31,530.61	22,177.22
Estimated Abandonment cost	20,460.81	47,734.53
Other Adjustments	-2,830.53	-1,205.36
TOTAL (Gross)	699,863.59	612,910.07
Less: Depletion & Impairment		
Opening Balance	300,270.94	266,971.24
Depletion for the Year	46,438.62	34,299.59
Transfer of Impairment from Development Wells in Progress	0.00	136.98
Other Adjustments	685.79	-521.87
Impairment provided for the year	859.15	483.13
Write back during the year	-131.84	-1,098.13
TOTAL	348,122.66	300,270.94
NET PRODUCING PROPERTIES	351,740.93	312,639.13

Schedule to the Consolidated Balance Sheet

SCHEDULE-8

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
EXPLORATORY/DEVELOPMENT WELLS -IN-PROGRESS				
A) EXPLORATORY WELLS-IN-PROGRESS				
Gross Cost				
Opening Balance		25,495.05		16,661.23
Expenditure during the year	35,289.11		28,095.94	
Less : Sale proceeds of Oil and Gas (Net of levies Rs. 8.71 million)	19.90	35,269.21	5.90	28,090.04
Add: Well written back		1,353.69		0.00
		62,117.95		44,751.27
Less :				
Transfer to Producing Properties		3,038.18		1,396.39
Wells written off during the year		23,478.90		17,219.15
Adjustment during the year		1,294.21		640.68
		27,811.29		19,256.22
EXPLORATORY WELLS-IN-PROGRESS		34,306.66		25,495.05
B) DEVELOPMENT WELLS-IN-PROGRESS				
Opening Balance		14,854.02		7,363.80
Expenditure during the year		32,074.45		25,161.90
Transfer to Producing Properties		(31,530.61)		(22,177.22)
Adjustment during the year		(3,051.10)		4,505.54
Sub Total		12,346.76		14,854.02
Less : Impairment				
Opening balance		35.22		136.98
Impairment provided for the year		370.44		35.22
Transfer to Producing Properties		0.00		(136.98)
TOTAL		405.66		35.22
NET DEVELOPMENT WELLS-IN-PROGRESS		11,941.10		14,818.80
EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (A+B)		46,247.76		40,313.85

ओएनजीसी ONGC

Schedule to the Consolidated Balance Sheet

SCHEDULE-9

(Rupees in million)

	No. of Shares/ Bonds/Units	Face Value per Share/ Bond/Unit (in Rupees)	As at 31st March, 2007	As at 31st March, 2006
INVESTMENTS				
LONG-TERM INVESTMENTS (FULLY PAID UP)				
A. TRADE INVESTMENTS				
1 Equity Shares (Unquoted)				
Investment in Associates				
i) Pawan Hans Helicopter Limited	24,500	10,000	**964.45**	862.40
Investment in Others				
i) Oil Spill Response Ltd.	100	*	**0.01**	0.01
ii) ONGC Mangalore Petrochemical Ltd.	24,500	10	**0.02**	0.00
2 Equity Shares (Quoted)				
i) Indian Oil Corporation Limited	106,453,095	10	**13,720.49**	13,720.49
ii) GAIL (India) Limited	40,839,549	10	**2,451.06**	2,451.06
3 Oil Companies Govt. of India Special Bonds (Unquoted)				
i) 5% Oil companies' Government of India Special Bonds 2009	257,600	10,000	**2,576.00**	2,576.00
ii) 6.96% Government of India transferable Special Bonds 2009	698,037	10,000	**6,980.37**	6,980.37
iii) 7% Government of India Special Bonds 2012	879,185	10,000	**8,791.85**	8,791.85
TOTAL TRADE INVESTMENTS			**35,484.25**	**35,382.18**
B. NON-TRADE INVESTMENTS (Unquoted)				
12% UP State Development Loan-2011	1	500,000	**0.50**	0.50
Mutual Funds (Net Asset Value as on 31.03.2007 Rs. 347.93 million. Previous year Rs. 197.31 million)			**347.51**	196.12
TOTAL NON TRADE INVESTMENTS			**348.01**	**196.62**
GRAND TOTAL			**35,832.26**	**35,578.80**
Total Quoted Investments			**16,171.55**	16,171.55
Total Unquoted Investments			**19,660.71**	19,407.25
			35,832.26	**35,578.80**
Total Market value of Quoted Investments			**99,798.07**	**133,655.24**

* Pound one each, total value Rs. 6,885/-
Figures in the ( ) relate to previous year.

Note: Includes Rs. 347.51 million share of jointly controlled entity. (Previous year Rs. 196.12 million)

Schedule to the Consolidated Balance Sheet

SCHEDULE-10

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
INTEREST ACCRUED		
(Unsecured, Considered Good unless otherwise stated)		
Interest Accrued On		
- Investments	40.81	11.53
- Deposits with Banks\Financial Institutions	4,531.42	798.42
- On carry finance	0.00	651.17
- Others		
- Considered Good	2,808.12	2,723.92
- Considered Doubtful	101.54	231.61
	7,481.89	4,416.65
Less : Provision	101.54	231.61
TOTAL	7,380.35	4,185.04

Note: Includes Rs. 1.87 million share of jointly controlled entity. (Previous year Rs. 0.77 million)

SCHEDULE-11

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
INVENTORIES			
(As verified and valued by the Management)			
Stores and spare parts			
- on hand	30,943.95		25,756.71
- in transit (including inter-project transfers)	2,995.49		3,376.79
	33,939.44		
Less: Provision for Non Moving Inventories	3,681.92	30,257.52	0.00
Finished Goods		16,482.23	7,091.91
Raw Material			
- on hand	5,212.34		11,741.64
- in transit	5,150.31	10,362.65	459.73
Stock in Process		1,480.12	829.29
Unserviceable Items		160.97	176.46
TOTAL		58,743.49	49,432.53

Note: Includes Rs. 294.08 million share of jointly controlled entity. (Previous year Rs. 129.87 million)

Schedule to the Consolidated Balance Sheet

SCHEDULE-12

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
SUNDRY DEBTORS		
(Unsecured, Considered Good unless otherwise stated)		
Debts		
Outstanding for a period exceeding six months :		
- Considered Good	3,552.84	3,853.50
- Considered Doubtful	3,102.51	3,114.60
Other debts :		
- Considered Good	44,614.57	40,417.90
- Considered Doubtful	288.63	81.51
	51,558.55	47,467.51
Less: Provision for Doubtful Debts	3,391.14	3,196.11
TOTAL	**48,167.41**	**44,271.40**

Note: Includes Rs. 999.91 million share of jointly controlled entity. (Previous year Rs. 159.69 million)

Schedule to the Consolidated Balance Sheet

SCHEDULE-13

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
A)	**CASH AND BANK BALANCES**		
	Cash balance on Hand*	890.09	27.67
	Balances with Scheduled Banks in:		
	Current Accounts	780.16	7,225.31
	Margin Money Deposit Account	0.00	0.00
	Fixed Deposits	145,686.16	36,178.88
	Balances with Non-Scheduled Banks in:		
	Current Accounts with Commerz Bank - Frankfurt (Maximum balance during the year Rs. 2.97 million Previous year Rs. 2.89 million.)	2.97	2.78
	SB Dollar Account with Bank for Foreign Trade of Vietnam, HCMC Vietnam (Maximum balance during the year Rs. 756.34 million Previous year Rs. 590.75 million)	0.04	0.03
	SB VND Account with Bank for Foreign Trade of Vietnam, HCMC Vitenam (Maximum balance during the year Rs. 752.01 million Previous year Rs. 593.03 million)	0.02	0.14
	Current Accounts (USD), CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 0.78 million Previous year Rs. 3.69 million)	0.06	0.44
	Current Accounts (VND), CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 95.66 million Previous year Rs. 81.67 million)	0.29	0.30
	Current Account with Bank of Moscow, Sakhalin (Maximum balance during the year Rs. 22 million Previous year Rs. 0.71 million)	0.00	0.22
	Mashreq Bank, Khartoum, Sudan (Maximum balance during the year Rs. 21.57 million Previous year Rs. 21.71 million)	4.70	0.67
	Mashreq Bank (Sudanees Dinar Account), Khartoum, Sudan (Maximum balance during the year Rs. 4.81 million Previous year Rs. 0.02 million)	23.00	0.65
	Current Account (QAR) with HSBC Bank, Qatar (Maximum balance during the year Rs. 5.56 million Previous year Nil)	0.50	0.00
	Current Account (USD) with Banco Fincerio Internacionale SA, Cuba (Maximum balance during the year Rs. 1.59 million Previous year Nil)	1.30	0.00
	On deposit account with CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 90.11 million Previous year Rs. 44.86 milliion)	0.00	42.06
	Deutche Bank AG, Amsterdam (Maximum balance during the year Rs. 49.52 million Previous year Rs. 157.37 million)	0.16	0.52
	Deutche Bank AG(GBP), Amsterdam (Maximum balance during the year Rs. 1,482.39 million Previous year Rs. 1,422.18 million)	6.18	0.48
	ICICI Bank London- GBP (Maximum balance during the year Rs. 6.65 million Previous year Rs. 8.53 million)	0.04	3.70
	Current account with CITI Bank, London (Maximum balance during the year Rs. 397.73 million Previous year Rs. 66.54 million)	42.04	20.87
	Current Account (USD)with ABN Amro Bank Sakhalin (Maximum balance during the year Rs. 931.22 million Previous year Rs. 1,215.18 million)	81.18	80.89
	Current Account(RBL)with ABN Amro Bank Sakhalin (Maximum balance during the year Rs. 11.13 million Previous year Rs. 0.27 million)	0.10	0.15
	Current Account (USD)with Bank of Commerce and Development Libya (Maximum balance during the year Rs. 2.82 million Previous year Rs. 5.08 million.	1.35	1.94
	Current Account (LDD)with Bank of Commerce and Development Libya (Maximum balance during the year Rs. 2.22 million Previous year Rs. 2.23 million)	0.24	2.22
	Current Account (USD) with City Bank, Lagos Nigeria (Maximum balance during the year Rs. 26.69 million Previous year Nil)	26.66	0.00
	Current Account (Naira) with City Bank, Lagos Nigeria (Maximum balance during the year Rs. 4.63 million Previous year Nil)	2.29	0.00
	Bank Balances (With Project Operators)	3,103.57	2,131.21
	TOTAL	150,653.10	45,721.13
B)	**Deposit with Bank Under Site Restoration Fund Scheme****	56,102.86	45,335.56

Note: Includes Rs. 1,319.24 million share of jointly controlled entity. (Previous year Rs. 740.92 million)
* Includes Cheques in hand Rs. 22.07 million (Previous year Rs. 7.54 million.)
** Deposited u/s 33ABA of the Income Tax Act, 1961 and could be withdrawn only for the purposes specified in the Scheme

ओएनजीसी ONGC

Schedule to the Consolidated Balance Sheet

SCHEDULE-14

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
LOANS AND ADVANCES				
Loans to Public Sector Undertakings & Other Body Corporate		476.12		963.14
Advance for Purchase of Shares		193.07		383.41
Loans and Advances to Employees		7,365.10		7,440.32
Advances Recoverable in Cash or in Kind or for Value to be received		30,425.73		23,903.22
Recoverable from Petroleum Planning & Analysis cell (PPAC)		476.81		476.81
Carry Finance to SMNG-S & RN-ASTRA,Russian Federation		0.00		53,752.41
Carry finance to Sudapet		1,218.71		934.31
Insurance Claims		286.89		941.33
Investment in Lease		6,573.59		7,446.57
Deposits:				
a) With Customs/Port Trusts etc.		104.15		57.91
b) Others		6,654.02		9,585.82
		53,856.78		105,885.25
Less : Provision for Doubtful Claims/advances		2,526.77		3,358.24
		51,330.01		102,527.01
Income Tax :				
Advance payment of Income Tax (Including advance payment of Wealth Tax Rs. 11.89 million Previous year Rs. 14.02 million)	369,073.78		285,796.47	
Less: Provision (Including provision for Wealth Tax Rs. 61.55 million Previous year Rs. 65.17 million)	353,047.78	16,026.00	271,826.12	13,970.35
TOTAL		**67,356.01**		**116,497.36**
Particulars of loans and advances:				
Secured		6,683.78		6,850.85
Unsecured -Considered Good		60,672.23		109,646.51
-Considered Doubtful		2,526.77		3,358.24
		69,882.78		119,855.60
Less : Considered Doubtful and provided for		2,526.77		3,358.24
TOTAL		**67,356.01**		**116,497.36**

Notes:

1. Includes Rs. 170.01 million share of jointly controlled entity. (Previous year Rs. 53.16 million)
2. *Loans to employees include an amount of* Rs. 1.97 *million (Previous year* Rs. 1.92 *million) outstanding from whole time Directors. Maximum amount outstanding during the year* Rs. 2.32 million. (Previous year Rs. 2.19 million)

Schedule to the Consolidated Balance Sheet

SCHEDULE-15

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
OTHER CURRENT ASSETS				
(Unsecured, Considered Good unless otherwise stated)				
Other Accounts Pending Adjustments				
- Considered Good	1.40			0.21
- Considered Doubtful	1,052.97			1,052.87
	1,054.37			1,053.08
Less: Provision for Doubtful Accounts	1,052.97			1,052.87
		1.40		0.21
TOTAL		**1.40**		**0.21**

SCHEDULE-16

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
CURRENT LIABILITIES				
Sundry Creditors for Supplies / Works :				
- Small Scale Industries		7.37		10.22
- Other than Small Scale Industries		78,816.97		57,946.06
Liability for Royalty/Cess/Sales tax etc.		14,556.08		8,224.00
Unpaid Matured debentures *	117.01		137.40	
Unclaimed Interest on debentures *	30.78	147.79	50.80	188.20
Unclaimed Dividend*		119.40		130.97
Deposits		14,015.47		7,441.50
Deferred Credit on Vietnam gas Sales		0.00		0.92
Other Liabilities		26,056.02		17,326.26
Interest Accrued but not due on loans		25.77		39.43
TOTAL		**133,744.87**		**91,307.56**

* No amount is due for Payment to Investor Education and Protection Fund

Note: Includes Rs. 805.49 million share of jointly controlled entity. (Previous year Rs. 230.88 million)

Schedule to the Consolidated Balance Sheet

SCHEDULE-17

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
PROVISIONS		
Gratuity	520.94	960.06
Leave	6,246.51	4,128.19
Post Retirment Medical & Terminal Benefits	9,141.73	0.00
Provision Others	512.68	3,192.16
Proposed Dividend	27,805.34	28,518.68
Tax on Proposed Dividend	4,983.77	4,171.83
TOTAL	49,210.97	40,970.92

Note: Includes Rs. 142.28 million share of jointly controlled entity. (Previous year Rs. 0.82 million)

SCHEDULE-18

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Dry Docking Charges	4,741.90	2,511.81
Other Expenditure	398.91	1,151.54
TOTAL	5,140.81	3,663.35

Schedule to the Consolidated Profit & Loss Account

SCHEDULE-19

(Rupees in million)

		2006-07		2005-06
SALES				
Sales		**876,120.43**		752,621.93
Less :				
Transfer to Exploratory Wells in Progress	**28.61**		5.90	
Government of India's share in Profit Petroleum	**13,340.87**	**13,369.48**	12,604.44	12,610.34
		862,750.95		740,011.59
Construction Contract Revenue		**0.00**		2,173.53
Price Revision Arrears		**10.81**		155.70
TOTAL		**862,761.76**		**742,340.82**

Note: Includes Rs. 6,886.19 million share of jointly controlled entity.(Previous year Rs. 4,796.47 million)

SCHEDULE-20

(Rupees in million)

		2006-07		2005-06
OTHER INCOME				
Contractual Short Lifted Gas Receipts		**56.52**		165.28
Pipeline Transportation Receipts		**3,350.85**		3,214.14
Reimbursement from Govt. of India		**11,597.86**		1,272.23
Other Contractual Receipts		**2,696.46**		2,905.36
Lease Income		**435.14**		271.26
Income from Trade Investments:				
Dividend on Long term Investments	**2,384.69**		1,574.34	
Interest on Long Term Investments	**1,230.06**		959.99	
Profit on sale of Investment	**19.41**		5.95	
		3,634.16		2,540.28
Income from Non Trade Investments:				
Interest on Long Term Investments		**0.06**		0.06
Interest Income on:				
Deposits with Banks/Financial Institutions	**10,275.50**		4,921.91	
(Tax deducted at source Rs. 2,024.26 million Previous year Rs. 1,086.21 million)				
Loans and Advances to Employees	**339.81**		338.69	
Income Tax Refund	**436.72**		0.97	
On Site Restoration Fund Deposit	**3,767.30**		2,354.92	
On Carry Finance	**1,493.41**		2,872.11	
Delayed Payment from Customers and Others	**1,198.71**		251.71	
(Tax deducted at source Rs. 103.11 million Previous year Nil)		**17,511.45**		10,740.31
Excess Provisions written back		**1,586.23**		1,431.79
Liabilities no longer required written back		**1,019.89**		677.08
Miscellaneous Receipts		**5,499.19**		4,515.33
TOTAL		**47,387.81**		**27,733.12**

Note: Includes Rs. 76.15 million share of jointly controlled entity. (Previous year Rs. 24.66 million)

Schedule to the Consolidated Profit & Loss Account

SCHEDULE-21

(Rupees in million)

	2006-07		2005-06	
INCREASE/(DECREASE) IN STOCKS				
Closing Stock				
Stock in Process	1,480.12		829.29	
Finished Products*	16,242.26	17,722.38	7,097.84	7,927.13
Opening Stock				
Stock in Process	829.29		1,231.38	
Finished Products	7,097.84		7,240.35	
Less: Adjustments	20.01	7,907.12	0.00	8,471.73
NET INCREASE/(DECREASE) IN STOCK		9,815.26		(544.60)

*Refer note 41(a) of Schedule-29

SCHEDULE-22

(Rupees in million)

	2006-07	2005-06
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Royalty	104,479.27	85,259.24
Cess	59,257.08	40,792.83
Sales Tax	6,006.80	10,315.04
National Calamity Contingent Duty	1,148.92	1,047.73
Excise Duty on Stocks (Net)	757.01	(341.94)
Service Tax	123.37	86.21
Education Cess	1,303.44	868.00
Octroi and Port Trust Charges	3,231.71	2,450.09
Staff Expenditure	23,801.87	13,671.42
Workover Operations	14,020.05	12,395.46
Water Injection, Desalting and Demulsification	4,161.99	3,765.91
Consumption of Raw material, Stores and Spares	192,444.68	169,696.20
Pollution Control	2,770.97	2,671.12
Transport Expenses	2,250.69	2,226.92
Insurance	1,504.99	948.20
Power and Fuel	2,046.22	954.97
Repairs and Maintenance	8,000.47	5,869.74
Contractual payments including Hire charges etc.	4,573.72	4,705.19
Other Production Expenditure	10,076.42	6,048.58
Transportation and Freight of Products	9,122.35	7,731.99
Research and Development	863.56	1,083.70
Construction contract expenditure	0.00	2,699.29
General Administrative Expenses	13,016.66	12,428.00
Other Expenditure	5,523.48	4,157.86
TOTAL	**470,485.72**	**391,531.75**

Notes:

1. The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 40 of Schedule 29.
2. Includes Rs. 6,292.02 million share of jointly controlled entity. (Previous year Rs. 4,234.04 million)

Schedule to the Consolidated Profit & Loss Account

SCHEDULE-23

(Rupees in million)

			2006-07		2005-06
DEPRECIATION, DEPLETION AND AMORTISATION					
Survey			23,736.83		16,866.98
Pre Acquisition Expenditure			791.89		1,125.12
Dry Wells			23,329.46		17,219.15
Amortisation of Goodwill			1,254.90		1,622.53
Acquisition Cost Written off			0.00		21.44
Depletion			46,458.58		34,299.59
Depreciation *		42,722.93		44,516.55	
Less : Allocated to :					
Survey	862.96			724.80	
Exploratory Drilling	5,112.85			1,889.07	
Development	14,250.56			14,770.36	
Others	47.99			109.52	
		20,274.36	22,448.57	17,493.75	27,022.80
Impairment loss					
During the year		2,000.71		923.34	
Less : reversal during the year		343.03	1,657.68	1,248.73	(325.39)
TOTAL			119,677.91		97,852.22

Note: Includes Rs. 131.97 million share of jointly controlled entity. (Previous year Rs. 126.20 million)

*Refer note 41(b) of Schedule-29.

SCHEDULE-24

(Rupees in million)

	2006-07	2005-06
FINANCING COSTS		
A. INTEREST :		
(i) **On Fixed Loans**		
From Oil Industry Development Board	14.87	29.47
Foreign Currency Loans	16.34	22.36
(ii) On Term Loans from Banks	372.23	487.81
(iii) Lease Finance Charges	0.00	3.80
(iv) On Cash Credit	43.28	90.31
(v) Others	1,167.61	963.66
Sub-Total	1,614.33	1,597.41
B. EXCHANGE FLUCTUATION		
Exchange Variation for the Year (Net)	(2,688.59)	(502.36)
Less : Capitalised	(16.31)	(39.46)
Sub-Total	(2,672.28)	(462.90)
TOTAL	(1,057.95)	1,134.51

Note: Includes gain of Rs. 54.07 million share of jointly controlled entity. (Previous year, loss of Rs. 168.70 million)

Schedule to the Consolidated Profit & Loss Account

SCHEDULE-25

(Rupees in million)

		2006-07	2005-06
PROVISIONS AND WRITE-OFFS			
PROVISIONS			
Provision for Doubtful Debts		556.71	2,300.04
Provision for Doubtful Claims/Advances		530.41	773.81
Provision for Dimunition in value of Investment		446.66	0.00
Provision against Non-Moving Inventories & Others		858.44	359.26
Provision for Others		1,758.69	0.00
Sub-Total		**4,150.91**	**3,433.11**
WRITE-OFFS			
Loss on Disposal/Condemnation of Fixed Assets (Net)		63.30	54.92
Claims / Advances Written Off	183.74		
Less: Provisions	180.07	3.67	339.01
Inventories Written Off		404.49	82.56
Bad debts Written Off		153.38	0.00
Other Write offs		461.28	15.12
Sub-Total		**1,086.12**	**491.61**
TOTAL		**5,237.03**	**3,924.72**

Note: Includes Rs. 0.10 million share of jointly controlled entity. (Previous year Rs. 0.08 million)

SCHEDULE-26

(Rupees in million)

	2006-07	2005-06
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
Statutory levies*	80.53	(50.28)
Other Production Expenditure*	615.40	133.74
Interest -Others	291.17	0.00
Exchange Fluctuation	(2.48)	(0.29)
Depletion	(19.96)	18.19
Depreciation	6,611.44	1,532.95
Survey	(363.19)	669.53
Dry well	(1,204.25)	414.08
Amortisation of Goodwill	(821.21)	3,062.18
Provion for Post retirement employee benefits	6,903.13	0.00
Impairment	71.85	0.00
Loss on Syrian operation recognised by OVL (a subsidiary) during the year	445.04	0.00
Total Debit	**12,807.47**	**5,780.10**
Sales	(86.07)	(435.18)
Interest -Others	1.31	31.70
Other Income	137.66	40.40
Total Credit	**52.90**	**(363.08)**
Net Debit/(Credit)	**12,754.57**	**6,143.18**

*The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 40 of Schedule 29.

Schedule to the Consolidated Profit & Loss Account

SCHEDULE-27

(Rupees in million)

		2006-07	2005-06
EARNINGS PER EQUITY SHARE			
A)	Net Profit after Tax	177,695.97	153,976.23
	Less:		
B)	Extraordinary items	4,750.61	6,405.39
C)	Tax impact on Extraordinary items	(1,599.06)	(2,156.05)
D)	Net Profit before Extraordinary items (net of tax)	174,544.42	149,726.89
E)	Number of Shares	2,138,872,530	1,425,933,992
			(Amount in Rupees)
Basic & Diluted Earnings Per equity Share#			
-	Before extraordinary items (net of tax)- (D/E)	81.61	70.00
-	After extraordinary items- (A/E)	83.08	71.99

Previous year figures have been adjusted for issue of bonus shares in the ratio of 1:2 as per Accounting Standard-20 on EPS.

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SCHEDULE-28

SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation

The Consolidated financial statements relate to the Company (Oil and Natural Gas Corporation Limited), its subsidiaries, Joint Venture entities and Associates. The consolidated Financial Statements have been prepared on the following basis: -

i) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

ii) The financial statements of Joint Venture entities has been combined by applying proportionate consolidation method on a line-by-line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS)-27 "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India.

iii) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements except as otherwise stated in the Notes to the Accounts.

iv) The difference between the cost of investment in the Subsidiaries/Associates, over the net assets at the time of acquisition of shares in the Subsidiaries/Associates is recognized in the Financial Statements as Goodwill or Capital Reserve as the case may be.

v) Minority Interest's share of Net Profit/Loss of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Company.

vi) Minority Interest's share of Net Assets of Consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Company's shareholders.

vii) In case of foreign subsidiaries and Joint Ventures, foreign currency transactions are translated as per the provisions of AS-11 "Accounting for Effects of changes in Foreign Exchange Rates" issued by The Institute of Chartered Accountants of India, in the consolidated financial statements.

viii) In case of Associates, where the company directly or indirectly through Subsidiaries holds more than 20% of equity, investments in Associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

ix) The difference between the proceeds from disposal of investments in a subsidiary and the carrying amount of its assets less liabilities as on the date of disposal is recognised in the Consolidated Statement of Profit and Loss Account as the profit or loss (as applicable) on disposal of the investment in the subsidiary.

B. Investments other than in Subsidiaries and Associates have been accounted for as per Accounting Standard (AS) 13 "Accounting for Investments" issued by The Institute of Chartered Accountants of India.

C. Other Significant Accounting Policies:

1. *Accounting Conventions*

The financial statements are prepared under the historical cost conventions on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP), applying the Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities, Accounting Standards issued by the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956.

2 Use of Estimates

The preparation of financial statements requires estimates and assumptions which affect the reported amount of assets, liabilities, revenues and expense of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known or materialized.

3 Government Grants

Government grants for acquisition of fixed assets are initially treated as Capital Reserve and are subsequently recognized as income in the Profit & Loss Statement on a systematic basis over the useful life of the assets in the proportion in which depreciation on those assets is charged.

4. Fixed Assets

4.1 Fixed assets are stated at historical cost. Fixed assets received as donations/gifts are capitalised at assessed values with corresponding credit taken to Capital Reserve.

4.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalised.

5 Exploration, Development and Production Costs

5.1 Acquisition Cost

Acquisition cost of an oil and gas property in exploration/development stage is taken to acquisition cost under the respective category. In case of overseas projects, the same is taken to capital work in Progress. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment, such costs are expensed. Acquisition cost of a producing oil and gas property is capitalized as Producing Property.

5.2 Survey Costs

Cost of Surveys and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

5.3 Exploratory/ Development Wells in Progress

5.3.1 All wells under as "exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.

5.3.2 All costs relating to development wells are initially capitalized as development wells in progress and transferred to producing properties on completion as per policy no. 5.4.1

5.4 Producing Properties

5.4.1 Producing properties are created in respect of an area/field having proved developed oil and gas reserves, when the well in the area/field is ready to commence commercial production.

5.4.2 Cost of temporary occupation of land, successful exploratory wells, all development wells, depreciation on related equipment and facilities, and estimated future abandonment costs are capitalised and reflected as Producing Properties.

5.4.3 Depletion of Producing Properties

Producing properties are depleted using the "Unit of Production Method". The rate of depletion is computed with reference to the area covered by individual lease/licence/ asset/amortization base by considering the proved developed reserves and related capital costs incurred including estimated future abandonment costs. In case of acquisition, cost of producing properties is depleted by considering the Proved Reserves. These reserves are estimated annually by the Reserve Estimates Committee of the Company, which follows the International Reservoir Engineering Procedures.

5.5 General Administrative Expenses

General Administrative Expenses at Assets, Basins, Services, Regions and Headquarters are charged to Profit and Loss Account.

5.6 Production Costs

Production costs include pre-well head and post well head expenses including depreciation and applicable operating costs of support equipment and facilities.

6 **Impairment**

Producing Properties and Fixed Assets of a "Cash Generating Unit" (CGU) are reviewed for impairment at each Balance Sheet date. In case events and circumstances indicate any impairment, recoverable amount of these assets is determined. An impairment loss is recognized, whenever the carrying amount of such assets exceeds the recoverable amount by writing down such assets to their recoverable amount. The recoverable amount is its 'value in use'. In assessing value in use, the estimated future cash flows from the use of assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss / reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, is allocated to its assets on a pro-rata basis. Subsequent to Impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life on the written down value method.

7. **Abandonment Cost**

7.1 The full eventual estimated liability towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as cost of producing property and liability for abandonment cost, based on the latest technical assessment available at current costs with the Company. The same is reviewed annually.

7.2 Cost relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred as the salvage value is expected to take care of the abandonment costs.

8. **Joint Ventures**

The Company has entered into Joint Ventures in the nature of Production Sharing Contracts (PSC) with the Government of India, Govt. of foreign countries and various bodies corporate for exploration, development and production activities.

8.1 The income, expenditure, assets and liabilities of the Jointly Controlled Assets are merged on line by line basis according to the participating interest with the similar items in the Financial Statements of the Company and adjusted for depreciation, depletion, survey, dry wells, abandonment, impairment and sidetracking in accordance with the accounting policies of the Company.

8.2 Past cost compensation and consideration for the right to commence operations received from other Joint Venture Partners are reduced from capitalised costs. The uncompensated cost continues in the Company's books as producing property/exploratory wells in progress.

8.3 The reserves of hydrocarbons in such areas are taken in proportion to the participating interest of the Company.

9. ***Intangible Assets***

Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

10. ***Depreciation***

10.1 Depreciation on fixed assets is provided for under the written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956 .

Depreciation on additions/deletions during the year is provided on prorate basis with reference to the date of additions/deletions except items of Plant and Machinery used in wells with 100% rate of depreciation and low value items not exceeding Rs. 5000/- which are fully depreciated at the time of addition.

10.2 Leasehold land is amortised over the lease period.

10.3 Depreciation on adjustments to fixed assets on account of exchange difference and price variation is provided for prospectively over the remaining useful life of such assets.

10.4 Depreciation on fixed assets (including support equipment and facilities) used for exploration, drilling activities and on related equipment and facilities is initially capitalised as part of exploration cost, development cost or producing properties and expensed/depleted as stated in policy 5 above.

11. **Taxes on Income**

Provision for current tax is made as per the provisions of the Income Tax Act, 1961. Deferred Tax Liability / Asset resulting from 'timing differences' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

12. Inventories

12.1 Finished goods (other than Sulphur) and stock in pipelines/tanks are valued at Weighted Average Cost or net realisable value whichever is lower. Sulphur is valued at net realisable value. The value of inventories includes excise duty and royalty wherever applicable.

12.2 Crude Oil in unfinished condition in flow lines / Group Gathering Stations and Natural Gas in Pipelines are not valued.

12.3 Raw material is valued on First in First Out (FIFO) basis.

12.4 Inventory of stores and spare parts is valued at Weighted Average Cost or net realisable value whichever is lower. Provisions are made for obsolete and non moving inventories.

12.5 Unserviceable items, when determined, are valued at estimated net realizable value.

13. Investments

Long-term investments (except PSU Bonds) are valued at cost. PSU Bonds are carried at lower of face value or cost. Provision is made for any diminution, other than temporary, in the value of such investments.

14. Foreign Exchange Transactions

14.1 Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction.

14.2 At each Balance Sheet date, foreign currency monetary items are translated using the average of the exchange rates prevailing on the balance sheet date and non-monetary items are translated using the exchange rate prevailing on the date of transaction or on the date when the fair value of such item was determined.

14.3 The loss or gain thereon and also the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account except in cases (a) where such liabilities and /or transactions relate to fixed assets/ projects and these were incurred/ entered into before 1.4.2004; (b) fixed assets acquired from a country outside India, in which case, these are adjusted to the cost of respective fixed assets.

14.4 In respect of the Company's integral foreign operations:

14.4.1 The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 12.1. For practical reasons, the average exchange rate of the relevant month is taken for the transactions of the month in respect of joint venture operations, where actual date of transaction is not available.

14.4.2 At each Balance Sheet date, monetary and non-monetary items are translated following the policy stated in 12.2.

14.4.3 All exchange differences are treated following the policy stated in 12.3.

14.5 The financial statements of the non-integral foreign operations of the company are incorporated in the financial statements using the following principles:

14.5.1 the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the average of the exchange rate prevailing on the date of the balance sheet;

14.5.2 income and expense items of the non-integral foreign operation are translated at the average exchange rates for the period to which the financial statements relate; and

14.5.3 all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

14.6 Exchange differences arising on the company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of such investment, at which time they are recognized as income or as expenses.

15. Revenue Recognition

15.1 Revenue from sale of products is recognized on transfer of custody to customers.

15.2 Sale of crude oil and gas produced from exploratory wells in progress in exploratory areas is deducted from expenditure on such wells.

15.3 Sales are inclusive of all statutory levies except Value Added Tax (VAT). Any retrospective revision in prices is accounted for in the year of such revision.

15.4 Revenue in respect of fixed price contracts is recognized for the quantum of work done on the basis of percentage of completion method. The quantum of work done is measured in proportion of cost incurred to date to the estimated total cost of the contract or based on reports of physical work done.

15.5 Finance income in respect of assets given on finance lease is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

15.6 Revenue in respect of the following is recognized when there is reasonable certainty regarding ultimate collection:

a) *Short lifted quantity of gas.*
b) Gas pipeline transportation charges and statutory duties thereon.
c) Reimbursable subsidies and grants.
d) Interest on delayed realization from customers.
e) Liquidated damages from Contractors

16. Retirement Benefits

16.1 All short term employee benefits are recognized at their undiscounted amount in the accounting period they are incurred.

16.2 Employee Benefits under defined contribution plans comprising provident fund are recognized based on the undiscounted obligations of the company to contribute to the plan. The same is paid to a fund administered through a separate trust.

16.3 Employee benefits under defined benefit plans comprising of gratuity, leave encashment, compensated absences, post retirement medical benefits and other terminal benefits are recognized based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the projected unit credit method. Actuarial Liability in excess of respective plan assets is recognized during the year.

16.4 Provision for gratuity as per actuarial valuation is funded with a separate trust.

17 Claims

17.1 Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments, as stipulated. All other claims and provisions are booked on the merits of each case.

17.2 Export benefits entitlements to the Company viz., Duty free credit entitlement scheme /Target Plus scheme/ Advance Licence scheme under the EXIM policy, is recognised in the year of exports on accrual basis.

18 Assets given on Lease

18.1 Assets given on finance lease are accounted for as per Accounting Standard (AS) 19 "Leases" issued by the Institute of Chartered Accountants of India. Such assets are included as a receivable at an amount equal to the net investment in the lease.

18.2 Initial direct costs incurred in respect of finance leases are recognised in the statement of profit and loss in the year in which such costs are incurred.

19 Transportation Costs

Any payment made in respect of the quantity of gas short transported, for which the right exists to transport such gas in subsequent periods at no charge, is treated as Deferred Expenditure in the year of payment. The same is treated as cost in the year in which the gas is actually transported for the quantity transported or in the year in which the right to transport such gas ceases, whichever is earlier.

20 Voluntary Retirement Scheme

Expenditure on Voluntary Retirement Scheme (VRS) is charged to Profit and Loss Account.

21. Insurance claims

The company accounts for insurance claims as under :-

21.1 In case of total loss of asset by transferring, either the Carrying cost of the relevant asset or Insurance Value (subject to deductibles), whichever is lower under the head "Claims Recoverable-Insurance" on intimation to Insurer. In case insurance claim is less than carrying cost, the difference is charged to Profit and Loss Account.

21.2 In case of partial or other losses, expenditure incurred/payments made to put such assets back into use, to meet third party or other liabilities (Less policy deductibles) if any, are accounted for as "Claims Recoverable-Insurance". Insurance Policy deductibles are expensed in the year the corresponding expenditure is incurred.

21.3 As and when claims are finally received from Insurer, the difference, if any, between Claims Recoverable-Insurance and Claims received is accounted for in Profit and Loss Account.

22 Research and Development

Capital expenditure on Research and Development is capitalised under various fixed assets. Revenue expenses are charged to Profit and Loss Account, when incurred.

23 Rig Days Costs

Rig movement costs are normally booked to the next location planned for drilling. Abnormal idle rig days' costs are charged to Profit and Loss Account.

24 Deferred Revenue Expenditure

Dry docking charges of Rigs/ Multipurpose Supply Vessels (MSVs), Well Stimulation Vessels, Rig/equipment mobilization expenses and other related expenditure are considered as deferred expenditure and amortized over the period of use not exceeding five years.

Preliminary Expenses are expensed in the year of commencement of production except in one joint venture entity where it is amortised over five years in other JV entities.

25 Borrowing Costs

Borrowing Cost specifically identified to the acquisition or construction of qualifying assets is capitalized as part of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

26 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities, if material, are disclosed by way of notes.

27 Deviations in the accounting policies followed by subsidiaries, Joint Venture Entities and associates are disclosed in Note No. 2 of Schedule-29, Notes to the Accounts.

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SCHEDULE-29

NOTES TO ACCOUNTS

1. The Consolidated Financial Statements represent consolidation of accounts of the Company (Oil and Natural Gas Corporation Limited), its subsidiaries and joint venture entities as detailed below:

Sl. No.	Name of the Subsidiaries/ Joint Venture Companies	Country of Incorporation	Proportion of ownership interest		Status of Accounts
			31.03.2007	31.03.2006	
1	ONGC Videsh Limited (OVL)	India	100%	100%	Audited
2	Mangalore Refinery and Petrochemicals Ltd. (MRPL)	India	71.62%	71.62%	Audited
3	ONGC Nile Ganga B.V. (ONGBV) *	Netherlands	100%	100%	Audited
4	ONGC Bonny Brahmaputra Limited (OBBL)*	Nigeria	NA	100%	NA
5	ONGC Amazon Alaknanda Limited (OAAL)*	Bermuda	100%	NA	Audited
6	ONGC Narmada Limited (ONL)*	Nigeria	100%	100%	Audited
7	Petronet LNG Limited (PLL)- (JV)	India	12.50%	12.50%	Audited
8	ONGC Mittal Energy Limited (OMEL) - JV **	Cyprus	50%	50%	Unaudited
9	Petronet MHB Ltd. (PMHBL) (JV)	India	28.766%	NA	Audited
10	Mangalore SEZ Ltd. (JV)	India	26.00%	NA	Unaudited
11	ONGC Managalore Petrochemicals Ltd. (OMPL) (JV)	India	46.00%	NA	Unaudited
12	ONGC Petro Additions Ltd. (OPAL) (JV)	India	41.93%	NA	Audited

* 100% subsidiary of OVL

** Joint Venture of OVL

The subsidiary- OVL created one Subsidiary (viz. ONGC Amazon Alaknanda Limited, Bermuda) during the year and the Subsidiary ONGC Bonny Brahamputra Limited, Nigeria was divested during the year.

The shares of Joint Venture entity PMHBL were allotted on 24.03.2007. The Profit & Loss from 24.03.2007 to 31.03.2007 has not been consolidated being not material.

2.1 In view of different sets of environment in which the subsidiaries/JVs are operating, the accounting policies followed (for treatment of depreciation of fixed assets, sales revenue and royalty) by the subsidiaries/JVs are different from the accounting policies of the Company. *Such different accounting policies have been adopted in respect of the following:*

Depreciation on Fixed Assets (Schedule 5)

(Rs. in million)

Names of Subsidiaries/JV	Accounting Policies		Proportion - Depreciation		Proportion - Net Block	
	Company	Subsidiaries/JV	2006-07	2005-06	2006-07	2005-06
MRPL	Written Down Value Method at the rates specified in Schedule XIV.	Straight Line Method	3,585.30	3,500.12	42,355.24	40,655.49
PLL			127.22	125.87	2,047.66	2,170.48
Petronet MHB Ltd.			125.62	N.A	1,343.24	-
Mangalore SEZ Ltd.			0.01	-	0.75	-
Total- Proportion			3,838.15	3,625.99	45,746.89	42,825.97
Total CFS			48,351.67	46,042.36	179,310.54	133,176.85

One of the subsidiary of OVL i.e. OAAL provides for depreciation on fixed assets as per US GAAP. The amount involved is Rs. 25.22 million (Previous year Nil) shown as depreciation under schedule 23.

2.2 The subsidiary of OVL ONGBV follows the entitlement method for revenue recognition associated with sale of crude oil and liquids for its share of petroleum production as specified in the Exploration Production Sharing Agreement (EPSA) and Crude Oil Pipeline Agreement (COPA). The amount involved is Rs. 81,989.34 million (Previous year Rs. 61,005.04 million) out of the consolidated revenue of Rs. 822,615.48 million (Previous year Rs. 706,858.57 million) shown as sales under Schedule 19.

2.3 The subsidiary of OVL, ONGBV conducts its operations in Sudan jointly with the National Oil Company of Sudan (Sudapet) among others. All government stakes other than income taxes are considered to be royalty interest. Royalties on production represents the entitlement of the Government of Sudan to a portion of the ONGBV's share of crude oil and liquid production and are recorded using the rates in effect under the terms of the contract at the time of production. The royalties/taxes in Syrian concession are similarly accounted by ONGBV. The amount involved is Rs. 49,773.30 million (Previous year Rs. 38,919.47 million) out of consolidated royalty of Rs. 104,479.27 (Previous year Rs. 85,259.24 million) under the head Royalty in Schedule -22.

2.4 The subsidiaries and joint venture entities of subsidiary - OVL provide for the retirement benefits in accordance with the laws of their respective jurisdictions. The net impact on account of the difference in accounting policy is not ascertainable.

2.5 The subsidiary OVL has amortised the goodwill created on consolidation of its subsidiaries on unit of production method. The details of such amortisation are as under:

2.5.1 In March 2003, the subsidiary - OVL had acquired 100% shares of Talisman Greater Nile B.V. (TGNBV). TNGBV had 25% Participating Interest in Greater Nile Oil Project (GNOP), Sudan and was later rechristened as ONGC Nile Ganga B.V. (ONGBV). The difference between the purchase consideration and net assets of TGNBV on the date of acquisition, amounting to Rs. 11,660.63 million, had been reflected as goodwill in the consolidated accounts of the Company since the year 2002-03. Following prudent accounting, the Company had, during the previous financial year, started amortizing the goodwill with retrospective effect from the year 2002-03 based on Unit of Production Method. Goodwill amortized during the year by the Company amounted to Rs. 1,254.90 million (Previous year Rs. 4,063.51 million, including Rs. 3,062.18 million for the past years) representing Rs. 784.15 million in respect of GNOP, Sudan and Rs. 470.75 million in respect of MECL, Colombia.

2.5.2 The subsidiary - OVL had amortized goodwill amounting to Rs. 621.20 million in respect of AFPC, Syria Project of ONGBV during the financial year 2005-06 in the absence of consolidated accounts. ONGBV in its consolidated accounts has allocated the acquisition costs over the assets and accordingly, the goodwill amortized during the financial year 2005-06 of Rs 621.20 million has been written back during the year.

2.6 The subsidiary of OVL, ONGBV has adjusted an amount of Rs. 445.04 million against the opening reserve pertaining to AFPC Project Syria due to revision in the financial results for the year 2005-06. The same has been reflected in the prior period adjustment by the Company (Schedule 26).

3.1. The Associate considered in the Consolidated Financial Statements is as under:

Name of the Associate	Country of incorporation	Proportion of ownership interest	
		2006-07	**2005-06**
Pawan Hans Helicopters Limited	India	**21.54%**	21.54 %

3.2. In respect of Pawan Hans Helicopters Limited (PHHL), the share of profit of Rs. 102.07 million including dividend of Rs. 49 million (Previous year Rs. 106.78 million including dividend of Rs. 49 million) for the year 2005-06 has been considered as share of profit in Associate on the basis of audited results. The Annual Accounts for the year 2006-07 have not yet been received. No significant events or transactions between the company (or its subsidiaries) and PHHL have occurred which cause for adjustment in consolidated accounts.

3.3 Due to different nature of their operations, Pawan Hans Helicopters Limited, the Associate of the Company, follows different accounting policies namely charging of depreciation on fixed assets, accounting of investments etc. It is not practicable for the Company to make adjustment for the purposes of applying the equity method.

4.1 Sales Revenue in respect of Crude Oil for the company is based on the pricing formula agreed with the customers for the period from 1.4.2002 to 31.3.2004. Pending finalisation of fresh Memorandum of Understanding (MOU) with the customers, the same pricing formula has been provisionally applied from 1.04.2004.

4.2 Sales revenue in respect of Natural Gas for the company is based on the gas prices fixed on provisional basis as per directives of the Government of India (GOI), Ministry of Petroleum and Natural Gas (MoP&NG) dated 20th June, 2005 and dated 5th June, 2006.

4.3 Purchase of condensate by the company from joint venture has been accounted for at provisional price by applying monthly mean average FOB price of Brent Crude from 2005-06 onwards pending determination of condensate price by the price expert in terms of settlement agreement.

4.4 Adjustments, if any, on account of para 4.1 and 4.3 above, shall be carried out on finalisation of agreement/directives. However company does not foresee material impact on the current year's results.

5. In terms of the decision of the GOI, the company has shared under recoveries of Oil Marketing Companies (OMCs) for the year 2006-07 by allowing discount in the prices of Crude Oil, PDS kerosene and domestic LPG based on provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC) on quarterly basis to the tune of Rs. 170,238.79 million (Previous year Rs. 119,564.89 million). The net impact after adjustment of Value Added Tax (VAT) on sales revenue on the above products is Rs. 164,281.80 million (Previous year Rs. 117,098.68 million). The company does not foresee any material impact on finalization of discount rates.

6. Surplus in Gas Pool Account aggregating Rs. 11,597.86 million has been transferred to the Company partly by way of Fixed Deposit to partly compensate its claim for higher price towards richer fraction of Gas supplied to GAIL since July, 2005.

In terms of Record Note communicated by MoP&NG vide letter dated 13.06.2007, the company has been allowed to retain the surplus so transferred. Accordingly, the said surplus amount has been accounted for under the head other income as 'Surplus from Gas Pool Account' (Schedule 20) and interest earned on fixed deposit on maturity amounting to Rs. 230.60 million has been transferred to interest income (Schedule 20).

7. During the year, the State Govt. of Gujarat and Tamilnadu have introduced VAT. In accordance with the Guidance Note on Accounting for State Level VAT, VAT Collected amounting to Rs. 8,447.10 million has not been included in Sales Revenue. Similarly VAT paid has not been treated as an expense. As a result thereof, sales revenue as well as sales tax for the year is not comparable with those of previous year. This has no impact on the profit for the year.

8. During the year 2005-06, BHN Platform in Mumbai High Field was totally destroyed. The accident had also resulted in damage/loss to an adjacent platform, certain other assets and a Multi Purpose Vessel, Samudra Suraksha. The company had received the claim towards the platform in 2005-06. Remaining claims including debris removal were settled during the year on lump sum un-repaired damages/ over all settlement basis in terms of insurance policy. In terms of Accounting Policy No. 21 of Schedule -28, the claim recoverable, claim received and extra ordinary income accounted for are as below:

(Rs. in millions)

Particulars	Current Year	Previous Year
Claim received towards losses and un-repaired damages	6,916.52	8,154.23
Claim received towards debris removal	1,767.80	0.00
TOTAL	**8,684.32**	**8,154.23**
Claim recoverable towards losses and un-repaired damages	1,212.43	1,748.84
Estimated expenditure towards Debris removal	2,721.28	0.00
Extra Ordinary Income	4,750.61	6,405.39
TOTAL	**8,684.32**	**8,154.23**

The estimated cost of partial removal of debris has been created in view of operational and other requirements based on in-house technical assessment and methodology and included in the liability for abandonment costs..

9. In terms of the Accounting Policy No. 7 of Schedule 28, the Company has been recognising the estimated eventual liability towards costs relating to dismantling, abandoning and restoring Offshore Well Sites and allied facilities, based on the latest technical assessment at current costs available with the Company, as cost of Producing Properties and has been providing Depletion thereon under 'Unit of Production' Method as part of Producing Properties in line with the Guidance Note on Accounting of Oil & Gas Producing Activities issued by ICAI. During the year, the Company has reviewed the earlier estimates and revised the same. Accordingly, an additional amount of Rs. 16,774.79 million has been recognised as estimated liability towards abandonment with corresponding increase in producing properties. This has resulted in Increase in depletion for the year with corresponding reduction in profit by Rs. 1,849.92 million.

10. The Expert Advisory Committee of the Institute of Chartered Accountants of India had issued an opinion on 31.05.2006 on a reference made earlier with regard to the treatment of costs incurred on Side Tracking and abandoned portion of wells due to Side Tracking. As per the opinion, the abandoned portion of a side tracked exploratory well was to be charged to Profit & Loss Account. Since the opinion had come after the close of the accounting period and the Company had sought certain specific clarifications, no adjustment were carried out in 2005-06 accounts in respect of cost of abandoned portion of a side tracked exploratory well. As per the past practice, the cost of

abandoned portion of exploratory wells was being treated as part of exploratory well cost. During the year, the said opinion has been implemented. Accordingly, a sum of Rs. 868.22 million representing the abandoned portion of exploratory wells has been charged to Dry Wells. As a result of this change, there is reduction in exploratory wells in progress by Rs. 868.22 million with a corresponding reduction in profit.

11. (a) During the year, the company has implemented revised Accounting Standard 15 on 'Employee benefits' issued by the Institute of Chartered Accountants of India. Accordingly, provision for Gratuity, Leave Encashment, Compensated absence, Post Retirement Medical Benefit and other terminal benefits has been made as per the Revised Accounting Standard. The difference between the actuarial valuation as per Revised Accounting Standard 15 as on 01.04.2006 and the actuarial valuation as per erstwhile Accounting Standard 15 as on 31.03.2006 for Gratuity, Leave Encashment and Compensated Absences amounting to Rs. 375.86 million (net of deferred tax of Rs. 193.54 million) has been adjusted in the General Reserve.

Earlier, the Company had not made actuarial valuation of the Post Retirement Health and Welfare Schemes and certain other Retirement Benefits as per pre-revised AS-15 as the Company did not envisage material impact of the above benefits. Upon actuarial valuation of Post Retirement Medical benefits and Terminal Benefits as per Revised Accounting Standard 15 as on 01.04.2006, the entire amount of the benefits as on that date amounting to Rs. 6,432.53 million has been treated as prior period expenditure.

(b) During the year, subsidiary - OVL has reflected basis of provision for valuation of other employee benefits in it's accounting policy for other employee benefits. An amount of Rs. 13.42 million has been adjusted against the reserves of the previous year for the provision made during the year in respect of previous years. The net impact on the results for the year amounted to Rs. 3.99 million, being provision for the year.

12. The Company is mainly in the oil exploration and production activities where each cost centre used for depreciation (depletion) purposes has been identified as independent Cash Generating Unit (CGU) for assessing the impairment in Producing Properties and fixed assets etc. on the basis of 'value in use'. The Company has tested all its assets for impairment by applying discount rates of 15.07% (Previous year 14.24%) for Rupee transactions and 11.59% (Previous year 11.13%) for crude oil and value added products revenue measured in USD as on 31.03.2007.

During the year, Rs. 2,072.56 million (Previous year Rs. 923.34 million) has been provided for as impairment loss in respect of six CGUs (Previous year six CGUs) namely Ratna, Jodhpur, DVP Jorhat, Silchar, Agartala and CB-ON-7. Out of these, five CGUs namely Agartala, Silchar, Jodhpur, DVP Jorhat and Ratna which are mainly gas fields were impaired earlier also. However, there is a write back of impairment loss of Rs. 343.03 million in respect of Gauri field of CB-OS-2 Block due to increase in production.

13. The Company has agreed to contribute Rs. 4,000 million (included in staff expenditure under Schedule 22) out of past distributable profits and Rs. 1,700 million per year in the next 4 years to the superannuation fund under Post Retirement Benefit Scheme (PRBS) of the employees of the Company, out of future distributable profits payable to the employees, to meet the projected deficit of the fund.

14. As per the Production Sharing Contracts signed by the company with the Govt. of India, the company is required to complete Minimum Work Programme (MWP) within stipulated time. In case of delay in completion of the MWP, Liquidated Damages (LD) are payable for extension of time. Further in case of inability to complete MWP or surrender of block without completing the MWP, the estimated cost of completing balance work programme is to be paid to the Govt. The LD amounting to Rs. 683 million and cost of unfinished MWP of Rs. 3,844.80 million paid or payable for the year to the Govt. has been included in survey expenditure and drywells respectively under recouped cost in Schedule 23.

15. Pay Revision of Officers and Unionized category of the company is due w.e.f. 1.1.2007. Pending finalization, the liability in this regard is not ascertainable.

Liability for payment to contractual workers for regularization of their services is pending with Labour Court under civil suit in respect of subsidiary OVL. The amount of liability is not ascertainable.

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16. The Net Deferred Tax Liability of the company, its subsidiaries and joint ventures as at 31st March, 2007 comprises of the major components of Deferred Tax Liabilities and Deferred Tax Assets as under:

(Rs. in million)

Particulars	As on 31st March, 2007	As on 31st March, 2006
(i) Liabilities		
Depletion of Producing Properties	**100,242.78**	92,574.64
Depreciation Allocated to Wells in Progress & expenses relating to NELP	**4,405.43**	3,354.39
Deferred Revenue Expenditure written off	**1,747.30**	2,290.66
Development wells-in Progress	**2,957.89**	1,233.08
Difference in Net Block of Fixed Asset for Tax	**12,394.01**	8,956.89
Lease Finance	-	666.69
Depreciation	**8,834.37**	7,993.33
Others	**1,098.18**	639.28
Deferred tax liability of ONGBV- Subsidiary of OVL	**2,692.82**	2,243.36
Deferred tax liability of OAAL- Subsidiary of OVL	**448.53**	-
Sub Total	**134,821.31**	**119,952.32**
(ii) Asset		
Depreciation	**1,812.43**	233.56
Unabsorbed losses and allowances	**2,197.41**	7,074.98
Dry wells written off	**2,769.03**	3,937.05
Provision for Non Moving Inventories	**1,408.09**	1,074.48
Provision for Doubtful Debts/ Claims /Advances/ Interest	**2,071.36**	2,245.49
Provision for Abandonment	**30,415.13**	27,204.27
Provision for Leave Encashment	**2,112.78**	3,614.99
Provision for Post Retirement Medical & Terminal Benefits	**3,088.14**	-
Others	**7,828.37**	2,934.42
Sub Total	**53,702.74**	**48,319.24**
Deferred Tax Liability (Net) (i-ii)	**81,118.57**	**71,633.08**

The Net Deferred Tax Liability of the subsidiary-OVL as at 31st March 2007 is Rs. 9,781.21 million (Previous year Rs. 6,634.78 million). Out of the difference, Rs. 2,776.21 million (Previous year Rs. 2,647.79 million) has been charged to the current year's profit & loss account and Rs. 370.22 million (Previous year Rs. 34.24 million) has been adjusted to foreign currency translation reserve.

17. **Joint Venture Accounting**:

17.1.1 **Jointly Controlled Assets:**

The Company has entered into Production Sharing Contracts (PSCs) and Joint Ventures (JVs) in respect of certain properties with the Government of India and some bodies corporate. Details of these PSCs/ JVs are as under:

Sl. No.	Joint Ventures / PSCs	Company's PI *	Operatorship/ Others Partners PI **
A	**Jointly Operated JVs**		
1	Mid & South Tapti	40% (40%)	BGEPIL -30%, RIL -30%
2	Panna & Mukta	40% (40%)	BGEPIL -30%, RIL -30%
B	**Non-Operated JVs**		
3	Ravva	40% (40%)	CEIL **(Operator)** -22.5% Petrocon India Ltd. -25% Ravva Oil (Singapore) Pte. Ltd. -12.5%
4	CY-OS-90/1 (PY3)	40%(40%)	Hardy Exploration & Production (India) Inc. **(Operator)** - 18% HOEC -21%, TPL -21%

5	RJ-ON-90/1	30% (30%)	CEIL **(Operator)** -35% Cairn Energy Hydrocarbons Ltd. -35%
6	CB-OS/2-Expl. Phase CB-OS/2-Dev. Phase	25%(25%) 50%(50%)	Cairn Energy Group **(Operator)** -60% TPL -15% Cairn Energy Group **(Operator)** -40% TPL -10%
7	CB-ON/7	30%(30%)	HOEC **(Operator)** -35%, GSPC -35%
8	GK-OSJ-3	25%(25%)	RIL **(Operator)** -60%, OIL -15%
9	MN-ONN-2000/1	20%(20%)	OIL **(Operator)** -40%, GAIL -20% IOC -20%
10	RJ-ONN-2001/1	30%(30%)	OIL **(Operator)** -70%
11	RJ-ONN-2002/1	40%(40%)	OIL **(Operator)** -60%
12	AA-ONN-2002/3	70%(70%)	OIL **(Operator)** -30%
13	GV-ONN-2003/1	51%(51%)	CEIL **(Operator)** -49%
14	VN-ONN-2003/1	51%(51%)	CEIL **(Operator)** -49%
15	RJ-ONN-2003/1	36%(36%)	ENI **(Operator)** -34% Cairn Exploration -30%
16	AN-DWN-2003/2	45%(45%)	ENI **(Operator)** -40% GAIL -15%
17	PR-OSN-2004/1	35% (-)	Cairn Energy **(Operator)** -10% Cairn India -25% Tata -30%
C	**ONGC Operated JVs**		
18	Jharia (JH)	90% (90%)	CIL -10%
19	Raniganj (JG)	74% (74%)	CIL -26%
20	CB-OS/1	32.89%(32.89%)	TPL -10%, HOEC -57.11%
21	GV-ONN-97/1	40% (40%)	IOC -30%, CEIL -30%
22	KG-DWN-98/4	85% (85%)	OIL -15%
23	MN-OSN-97/3	85% (85%)	GAIL -15%
24	KG-DWN-98/2	90% (90%)	CEIL -10%
25	MB-OSN-2000/1	75% (75%)	IOC -15%, GSPC -10%
26	MN-OSN-2000/2	40% (40%)	GAIL -20%, IOC -20%, OIL -20%
27	WB-OSN-2000/1	85% (85%)	IOC -15%
28	AA-ONN-2001/2	80% (80%)	IOC -20%
29	AA-ONN-2001/3	85% (85%)	OIL -15%
30	CY-DWN-2001/1	80% (80%)	OIL -20%
31	CB-ONN-2001/1	70% (70%)	CEIL -30%
32	NK-CBM-2001/1(JE)	80% (80%)	IOC -20%
33	MN-DWN-2002/1	70% (70%)	OIL -20% , BPCL -10%
34	CB-ONN-2002/1	70% (70%)	CEIL -30%
35	BK-CBM-2001/1	80% (80%)	IOC -20%
36	KK-DWN-2002/2	80% (80%)	HPCL -20%
37	KK-DWN-2002/3	80% (80%)	HPCL -20%
38	KG-DWN-2002/1	70% (70%)	OIL -20%, BPCL -10%
39	CY-ONN-2002/2	60% (60%)	BPCL -40%
40	BS(3)-CBM-2003/II (NU)	70% (70%)	GSPC -30%
41	AA-ONN-2002/4	90% (90%)	OIL -10%
42	GS-OSN-2003/1	51% (51%)	CEIL -49%
43	CY-DWN-2004/1	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
44	CY-DWN-2004/2	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
45	CY-DWN-2004/3	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
46	CY-DWN-2004/4	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%

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ONGC

47	CY-PR-DWN-2004/1	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
48	CY-PR-DWN-2004/2	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
49	KG-OSN-2004/1	55% (-)	BGEP -45%
50	KG-DWN-2004/1	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
51	KG-DWN-2004/2	60% (-)	GSPC -10%, HPCL -10%, GAIL -10% BPCL -10%
52	KG-DWN-2004/3	70% (-)	GSPC -10%, HPCL -10%, GAIL -10%
53	KG-DWN-2004/5	50% (-)	GSPC -10%, HPCL -10%, GAIL -10% OIL -10%, BPCL -10%
54	KG-DWN-2004/6	60% (-)	GSPC -10%, HPCL -10%, GAIL -10% OIL -10%
55	CY-ONN-2004/1	80% (-)	BPCL -20%
56	CY-ONN-2004/2	80% (-)	BPCL -20%
57	KK-DWN-2004/1	45% (-)	CAIRN -40%, TATA -15%
58	CB-ONN-2004/1	50% (-)	GSPC -40%, HERA-MEC -10%
59	CB-ONN-2004/2	50% (-)	GSPC -40%, SUNTERA RES. -10%
60	CB-ONN-2004/3	40% (-)	GSPC- 35%, ENSEARCH -25%
61	CB-ONN-2004/4	50% (-)	GSPC -40%, HERAMEC -10%

* PI - Participating Interest

** There is no change in previous years figures unless otherwise stated. When previous years figures are nil in company's PI, the previous years figures of other partners PI is also nil.

Abbreviations: BGEPIL- British Gas Exploration & Production India Ltd., BPCL-Bharat Petroleum Corporation Ltd., CEIL-Cairn Energy India Ltd, CIL-Coal India Ltd., GAIL -GAIL (India) Ltd., GSPC-Gujarat State Petroleum Corporation Ltd., HOEC- Hindustan Oil Exploration Co. Ltd., HPCL- Hindustan Petroleum Corporation Ltd, OIL -Oil India Ltd., IOC- Indian Oil Corporation Ltd., RIL- Reliance Industries Ltd., TPL-Tata Petrodyne Ltd.

17.1.2 The Company has entered into 61 joint ventures (Previous year 45) for exploration and production. As at the end of the year, the company's share in the total value of assets, liabilities, income, expenditure and net profit before tax of these joint ventures amounts to Rs. 51,873.85 million (Previous year Rs. 41,427.25 million), Rs. 17,546.89 million (Previous year Rs. 11,839.27 million), Rs. 46,479.07 million (Previous year Rs. 38,259.03 million), Rs. 31,320.52 million (Previous year Rs. 27,778.70 million) and Rs. 15,158.55 million (Previous year Rs. 10,480.33 million) respectively.

17.1.3 The Company has entered into Production Sharing Contracts with Govt. of India in respect of 29 (Previous year 29) New Exploration Licensing Policy (NELP) blocks where the company has 100% participating Interest. The total value of assets, liabilities, income, expenditure and loss before tax of these NELP blocks amounts to Rs. 519.23 million (Previous year Rs. 94.99 million), Rs. 146.87 million (Previous year Rs. 29.87 million), Rs. 0.10 million (Previous year Rs. 4.16 million) , Rs. 6,906.50 million (Previous year Rs. 6,125.99 million) and Rs. 6,906.40 million (Previous year Rs. 6,121.82 million) respectively.

17.1.4 Total value of assets, liabilities, income, expenditure and loss before tax in respect of 12 blocks (including 2 blocks surrendered in the earlier years) surrendered till end of the year amounts to Rs. 46.00 million, Rs. 882.86 million, Rs. 1.89 million, Rs. 2,632.74 million and Rs. 2,630.85 million respectively.

17.1.5 The financial statements of 75 out of 102 JVs/NELP as per para no. 17.1.2 to 17.1.4 have been incorporated in the accounts by the company to the extent of company's participating interest in assets, liabilities, expenditure, income and profit (loss) before tax on the basis of statements certified in accordance with production sharing contract and the same has been adjusted for changes as per accounting policy no. 8.1.

17.1.6 In respect of balance 27 (Previous year 7) JVs/NELP (including 20 JV/ NELP awarded during the fag end of the year) assets, liabilities, Income and expenditure amounting to Rs. 11.20 million (Previous year Rs. 2,004.98 million), Rs. 15.18 million (Previous year Rs. 1,771.16 million), Nil (Previous year Rs. 7.86 million) and Rs. 112.51 million (Previous year Rs. 147.09 million) respectively have been incorporated on the basis of uncertified statements prepared under the production sharing contracts.

17.1.7 Joint Venture (Outside India) through Subsidiary- OVL

Sl. No.	Name of the Project and Country of Operation	Company's participating share (%)	Other Consortium Members	Project Status
1	Block 06.1 Project, Vietnam, Offshore	45%	British Petroleum - 35% Petrovietnam - 20%	The project is under production.
2	Block 1a, 1b, 2a, 2b & 4 (GNOP) Project, Sudan, Onshore	25%	CNPC - 40% Petronas - 30% Sudapet - 5%	The project is under production.
3	AFPC Project Syria, Onshore (Through Bergomo Holding B.V)	38.75%	Fulin - 50% Mittals - 11.25%	The project is under production.
4	Sakhalin -1 Project, Russia, Offshore	20%	Exxon Mobil - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5%	The project is under production and development.
5	MECL, Colombia, Onshore (Through Mansarovar Energy Colombia Limited)	50%	Sinopec - 50%	The project is under production and development.
6	Block 5A Project, Sudan, Onshore	24.125%	Petronas - 68.875% Sudapet - 7%	The project is under exploration, production and development.
7	Block BC-10 Project, Brazil, Offshore	15%	Shell - 50% Petrobras - 35%	The project is under development.
8	Block A-1Project, Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
9	Block A-3 Project Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
10	Farsi Block Project, Iran, Offshore	40%	IOC - 40% OIL - 20%	The project is under exploration.
11	Block NC-188 & NC-189 Project, Libya, Onshore	49%	TPOC - 51%	The project is under exploration.
12	Block XXIV Project, Syria, Onshore	60%	IPR - 40%	The Project is under exploration.
13	Block 5B Project, Sudan, Onshore	23.5%	Petronas - 41% Lundin - 24.5% Sudapet - 11%	The project is under exploration.
14	Block 6 North Ramadan Project, Egypt, Offshore	70%	IPR Red Sea - 30%	The project is under exploration.
15	Block 2, Joint Development Zone, Nigeria / Sao Tome Principe (STP), Offshore	13.5%	Sinopec JDZ/ Addax/ ERHC - 65% Equator - 9% A & Hatman Ltd. - 2.5% Foby - 5% Momo - 5%	The project is under exploration.
16	Block 25-29, 35 (Part) & 36 Project, Cuba, Offshore	30%	Repsol - 40% Hydro - 30%	The project is under exploration.
17	Khartoum-Port Sudan Pipeline Project, Sudan	90%	OIL - 10%	The pipeline has been completed and is under Lease.

Abbreviations: Addax-Addax Energy Nigeria Limited; British Petroleum-BP Exploration Operating Company Limited; CNPC-China National Petroleum Corporation; Daewoo-Daewoo International Corporation; EMO-EMO Exploration & Production Limited; Equator-Equator Exploration JDZ Block 2 Limited; ERHC-ERHC Energy

Nigeria JDZ Block 2 Limited; Exxon Mobil-Exxon Neftegas Limited; Foby-Foby Energy Company Limited; Fulin-Fulin Investments Sarl; GAIL-GAIL (India) Limited; Hydro-Hydro Oil and Gas; IOC-Indian Oil Corporation Limited; IPR-IPR Mediterranean Exploration Limited; IPR Red Sea -IPR Energy Red Sea Inc.; KOGAS-Korea Gas Corporation; Lundin-Lundin Muglad Limited; Mittals-Mittal Investments Sarl; Momo-Momo Deepwater JDZ Limited; OIL-Oil India Limited; Petrobras-Petroleo Brasileiro S.A.; Petronas-Petronas Carigali Overseas Sdn Bhd; Petrovietnam-Vietnam Oil and Gas Corporation; Repsol-Repsol YPF Cuba SA; Shell-Shell Briazil Ltda; Sinopec-Sinopec Overseas Oil and Gas Limited; Sinopec JDZ-Sinopec JDZ Block 2 Limited; SMNG-Sakhalinmorneftegas Shelf; SODECO-Sakhalin Oil Development Company Limited; Sudapet-Sudapet Limited; TPOC-Turkish Petroleum Overseas Company Limited.

17.1.8 The subsidiary-OVL, it's subsidiaries and the Joint Venture Entities have entered into 17 joint ventures (Previous year 14) for exploration and production, as at the end of the year, the share of OVL, it's subsidiaries and the Joint Venture Entities in the total value of assets, liabilities, income and expenditure of these joint ventures amounting to Rs. 179,738.40 million (Previous year Rs. 146,131.98 million), Rs. 38,668.46 million (Previous year Rs. 11,464.03 million), Rs. 21,166.53 million (Previous year Rs. 2,176.12 million), Rs. 79,096.20 million (Previous year Rs. 10,064.84 million) respectively have been incorporated based on the information furnished by the operators.

17.1.9 In respect 6 JVs out of the 17 JVs mentioned above, assets, liabilities, income and expenditure amounting to Rs. 80,285.43 million, Rs. 9,399.97 million, Nil and Rs. 7,663.56 million respectively have been incorporated on the basis of unaudited statements received from the operators.

17.1.10 The Subsidiary OVL's share of assets, liabilities, incomes and expenses have been converted into the reporting currency at the average exchange rates over the period for which the details are provided by the Operators. Generally the details are provided by the operators on monthly basis except in respect of Sakhalin-1, Russia Project, where the details are provided by the Operator on quarterly basis.

17.1.11 In the year 2005-06, wherever unaudited figures were incorporated, necessary adjustments have been carried out with reference to the audited figures of 2005-06, in the current period.

18. The subsidiary - OVL had completed the execution of the 12"X741 Kms multi product pipeline from Khartoum Refinery to Port Sudan for the Ministry of Energy and Mining of the Government of Sudan (MEM) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to MEM during the previous financial year. The project was implemented in consortium with Oil India Limited, Company's share being 90%.

The EPC Contractor executing the project claimed additional costs aggregating to Rs. 1,614.79 million (Previous year Rs. 1,659.00 million) (Company's share being Rs. 1,453.31 million, Previous year Rs. 1,493.10 million), which have not been accepted by the Company. However, the claims have been forwarded to MEM for their approval for an aggregate amount of receivables from MEM of Rs. 2,007.30 million (Previous year Rs. 1,524.20 million), Company's share being Rs. 1,806.57 million (Previous year Rs. 1,371.78 million). Pending settlement with the EPC Contractor, an amount of Rs. 998.74 million (revalued from Previous year Rs. 1,026.08 million, being the Company's share out of Rs. 1,109.71 million (revalued from Previous year Rs. 1,140.08 million) has been shown as liability based upon the advices received by the Company from its consultant. The Company's share of the balance amount has been shown as claims not acknowledged as debt. No revenue in this respect has been recognised pending final approvals by MEM.

The payment under the contract would be received over a period of 10 years with a moratorium of one year from the date of the contract i.e. 30 June, 2004 in 18 equal semi-annual installments along with lease rental. The lease period commenced from the date of handing over of the pipeline system and will continue till all payments by MEM are completed. All titles in the works and the transportation system shall vest in the Company and the title shall pass to MEM in proportion to the payments made by MEM against total payments due to Company under the contract. Further, subject to regular payments on due dates by MEM to the Company, MEM shall have the exclusive right to use and operate the pipeline system and the Company shall not assign, transfer, sub-let, sub-contract, mortgage or create any rights to any third party or encumbrances or make any disposition to any third party. Accordingly, the amount of net investment in the lease (i.e. aggregate of Minimum Lease Payments MINUS Unearned Finance Income) is recognised and recorded as receivables under the lease. The finance income thereon has been recognised based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

The first two installments under the contract due on 30 December, 2005 and 30 June, 2006 had been received as of the reporting date. However, since the third installment due on 30 December, 2006 was received after the reporting date, the same has been shown as advance recoverable.

(Rs. in million)

19. The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

	Particulars	2006-07		2005-06	
		Gross	Net	Gross	Net
a)	Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end				
	- Not later than one year	1,097.60	713.48	1,127.64	693.03
	- Later than one year and not later than five years	4,390.37	3,323.42	4,510.56	3,214.70
	- Later than five years	2,743.98	2,536.69	3,946.74	3,538.84
	Total	8,231.95	6,573.59	9,584.94	7,446.57
b)	Unearned Finance Income			2,138.37	
c)	Unguaranteed residual value accruing to Company's benefit	Nil		Nil	
d)	Accumulated provision for uncollectible minimum lease payments receivable	Nil		Nil	
e)	Contingent rents recognised in the statement of profit and loss for the period	Nil		Nil	
f)	General description of the significant leasing arrangement	As described in para above		As described in para above	
g)	Accounting Policy followed in respect of initial direct costs	As per Accounting Policy 18.2		As per Accounting Policy 18.2	

20. **Sakhalin-1, Russia Project:**

(i) The sales of Crude Oil and Gas to the domestic (Russian) buyers had commenced during the financial year 2005-06 while the sales of Crude Oil to international buyers commenced during the year in respect of Sakhalin-1, Russia Project. During the current year, receipts on account of Crude Oil and Gas Sales (including receivables) were Rs. 16,558.88 million and Rs. 511.23 million (Previous year Rs. 1,799.25 million and Rs. 217.10 million) respectively after adjustment of Rs. 0.91 million received during the previous year against take or pay provisions of the contract owing to lesser nomination of Gas by the buyer. The Closing Stock of Crude Oil till the Delivery Point has not been considered in view of the contractual arrangement that it remains the property of the State until the Delivery Point.

(ii) The Consortium had acquired the Early Production Facility (EPF) under a contract for lease for the basic term upto 15 September, 2006 in financial year 2005-06 with an option for renewal. The Contract also provided an option to the Consortium to purchase the EPF by provision of 45 days written notice at the price and in accordance with the provisions of the contract. Further the title and risk of damage to the EPF shall pass to the Consortium upon payment of the purchase price. Under the circumstances, the subsidiary OVL had recognised the lease as an asset for an amount of Rs. 428.13 million and a liability at an amount equal to the present value of minimum lease payment and purchase price during the previous financial year. The EPF has been purchased by the Consortium during the year.

(iii) During the financial year 2005-06, the Subsidiary - OVL had made provision for it's share amounting to USD 7.10 million (Rs. 317.09 million) in respect of past costs reimbursable to a consortium partner recoverable from the hydrocarbons after the development investments have been fully recovered. Since the obligation to pay arises in future out of the future production, the same has been written back during the year.

(iv) The amount of Rs. 7,403.75 million representing Capital Work-in Progress (Schedule-6) in respect of Sakhalin-1, Russia Project would be capitalised to fixed assets and producing properties after completion of Chayvo Phase-1 of the project. Pending capitalization due to non-availability of break up of the amount from the operator, the same has been shown under Capital Work-in Progress.

21. **Block-5A and Block-5B, Sudan:**

Sales of Crude Oil commenced during the year in respect of Block 5A, Sudan Project. During the current year, receipts on account of Crude Oil Sales (including receivables) were Rs. 2,230.99 million (Previous year Rs. Nil). Sales include the amount adjusted in kind by the transporter on account of transportation charges, which has been accounted as transportation charges. However, the Sales exclude the quality adjustment carried out by the transporter amongst the joint shippers by way of quantity adjustments. Pending finalization of the transportation agreement with the transporters, the adjustments in respect of transport charges and quality have been carried out based upon the invoices of the transporter.

The Subsidiary - OVL carries the share of investment of Sudapet, a company owned by the Government of Sudan, for its 3.375% share in Block 5A and 3.72% in Block 5B till the commencement of first commercial production. The carried amounts are repayable without interest out of the production share of Sudapet as per the terms of the Exploration and Production Sharing Agreement (EPSA). Currently, Block 5A is under production and development and due to certainty of the recovery, the net carried amount of USD 24.93 million equivalent to Rs. 1,083.89 million (Previous year Rs. 912.96 million) has been shown as a loan. However, since Block 5B is under exploration, additional provision for the amount carried during the year of USD 1.27 million equivalent to Rs. 56.92 million (Previous year Rs. 8.41 million) including revaluation has been made during the year making the aggregate provision of Rs. 78.27 million (Previous Year Rs. 21.35 million), equal to the carried amount as on date.

22. **Farsi Block, Iran:**

In respect of Farsi Block, Iran, The Subsidiary - OVL in consortium with other partners has entered into an Exploration Service Contract (ESC) with National Iranian Oil Company (NIOC). In pursuance to the committed work program, OVL drilled exploratory wells in the Block during the year. Although OVL has encountered hydrocarbons, a provision has been made in respect of the expenditure incurred on exploratory wells Rs. 1,287.30 million pending declaration of commerciality and award of development service contract by NIOC.

23. **AFPC Project, Syria**

Participating interest in the project is held through ONGBV (55%) and OMEL (22.5%) and (since OMEL has not consolidated the results of the project in its consolidated accounts), the total effective participating interest (77.5%) of OVL has been consolidated on line by line basis from the accounts for the project provided by ONGBV.

24. **Block BC-10, Brazil:**

The Subsidiary of OVL-ONGBV acquired 50% of the share capital of One Acadia Holdings BV (OABV) at a consideration of USD 170.31 million during the year. OABV and its wholly owned subsidiary Two Acadia Holdings BV (TABV) at the time of their acquisition by ONGBV, held in aggregate the entire share capital of Esso Exploracao Campos Ltda (Esso Campos), a company incorporated in Brazil, which in turn owned 30% participating interest in Block BC-10, offshore Brazil. Esso Campos has been split into two companies namely ONGC Campos Ltda (OCL) and Shell Campos Ltda (SCL), ONGBV being beneficially entitled to OCL only. OABV/ TABV made distribution of their entire reserves wherein all the shares of OCL were distributed to ONGBV. According to the information available with the ONGBV management, OABV / TABV have no income, expenses, assets or liabilities of material amounts. OABV / TABV will be liquidated in due course.

25. **Jointly Controlled Entities :**

Company's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities ONGC Mittal Energy Limited (JV of OVL) and Petronet LNG Ltd., Petronet MHB Ltd., Mangalore SEZ Ltd,. ONGC Managalore Petrochemicals Ltd. & ONGC Petro Addition Ltd. is as below:

(Rs. in million)

Description		31.03.2007	31.03.2006
i)	**Assets**		
	- Fixed Assets (Incl CWIP)	7,690.62	2,328.50
	- Investments	347.51	3,027.84
	- Current assets	2,882.20	1,139.09
	- Deferred Tax Assets	183.65	0.00
ii)	**Liabilities**		
	- Current liabilities & provisions	796.61	260.01
	- Other liabilities	2,372.34	1,620.70
iii)	Income	7,071.65	4,821.13
iv)	Expenses	6,367.87	4,529.46
v)	Contingent liabilities	11,218.58	878.62
vi)	Capital commitments	798.61	1,370.72
vii)	Deferred Tax Liabilities	309.00	75.63

26. (i) The Subsidiary - OVL has followed the Accounting Standard (AS) 11 viz. Effects of Changes in Foreign Exchange Rates (revised 2003) issued by the Institute of Chartered Accountants of India for incorporating in the consolidated financial statements following the principles for translation of the financial statements of Non-integral Foreign Operation. Accordingly, the resulting exchange loss of Rs. 1,210.01 million (Previous year Rs. 841.46 million exchange gain) has been accounted as foreign currency translation reserve and shown in Schedule 2 as per details given below:

(Rs in million)

Particulars	2006-07	2005-06
Opening Balance	2,110.32	2,951.78
Additions during the current year	1,210.01	(841.46)
Closing balance	3,320.33	**2,110.32**

(ii) The total net exchange gain during the year was Rs. 1,431.76 million (Previous year gain of Rs. 1,749.02 million) of which net exchange difference (gain) of Rs. 2,527.25 million (Previous year gain of Rs. 1,005.12 million) is charged off in Profit and Loss Accounts and net exchange gain of Rs. 11.63 million (Previous year Rs. 5.33 million) is adjusted to the carrying amount of assets and loss of Rs. 1,107.12 million (Previous year gain of Rs. 738.57 million) has been taken to foreign currency translation reserve.

27. **Title to Fixed Assets under Production Sharing Agreements**

The subsidiary-OVL, its Subsidiaries and Joint Venture Companies in consortium with other partners (Consortium) carry on their business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. In several of these agreements governing activities in the fields / projects, the agreements provide that the title to the fixed assets and other ancillary installations shall pass to host government or its nominated entities either upon acquisition / first use of such assets or upon 100% recovery of such costs through allocation of "Cost Oil" and "Cost Gas" or upon relinquishment of the relevant contract areas or termination of the relevant agreement. However, as per the terms of the agreements, the Consortium and/ or Operator has the custody of all such assets and is entitled to use, free of charge all such assets for Petroleum Operations till the full term of the respective agreements. The Consortium also bears the custody and maintenance of such assets and all risks of accidental loss and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss. Under the circumstances, such assets are kept in the records of OVL and its Subsidiaries or the Joint Venture Company, as the case may be, till the full term of the respective agreements.

28. (i) In 2005-06 the company had changed the rate of Depreciation on all Trunk Pipelines and On shore Flow lines (assets below ground) from 27.82% to 100% based on technical assessment by the management. The company has made a reference to the Ministry of Corporate Affairs for confirmation of the rate of depreciation. Pending clarification by the Ministry, the company continues to charge depreciation at 100% on such assets.

(ii) The Subsidiary of OVL-ONGBV changed the method of providing depreciation on its pipeline and corporate assets from Straight Line Value Method to Written Down Value Method with retrospective effect. Accordingly, depreciation on such assets is USD 155.99 million equivalent to Rs. 7,062.45 million including USD 142.61 million equivalent to Rs. 6,456.67 million for earlier years. The net impact on the results for the year is the decrease in profits by Rs. 6,068.68 million and corresponding decrease in net block of fixed assets.

29. The Company has physical verification system of Inventory, Fixed Assets and Capital Stores in a phased manner at regular intervals and reconciliation with general ledger balances. Adjustment of differences in books of accounts, if any, is carried out after examination of these differences, a few of which are in progress.

30. Some of the balances of Debtors, Creditors and Loans and Advances are subject to confirmation/ reconciliation, adjustments, if any, will be accounted on receipt/ confirmation of the same.

31. Information as per Accounting Standard (AS-18) on Related Party Disclosures is given below:

a. Name of the Related parties and description of relationship (excluding with State Controlled Entities): -

i) Joint Ventures (In India)	i Ravva ii PY-3 iii Panna, Mukta & Tapti iv Petronet LNG Ltd. (PLL) v Mangalore SEZ Ltd vi ONGC Managalore Petrochemicals Ltd. (OMPL) vii ONGC Value Additions Ltd. (OPAL) viii CB-OS-1 ix CB-OS-2 x GK-OSJ-3 xi GS-OSN-2003/1 xii KG-DWN-98/2 xiii CB-ONN-2001/1 xiv CB-ONN-2002/1 xv RJ-ON-90/1 xvi GV-ONN-97/1 xvii CB-ON/7 xviii GV-ONN-2003/1 xix VN-ONN-2003/1 xx RJ-ONN-2003/1 xxi AN-DWN-2003/II xxii CB-OS-7 xxiii KK-DWN-2004/1
ii) Joint Ventures (Outside India) through OVL	i Vietnam Project ii Sakhalin Project iii Myanmar Project iv Iran Project v Libya Project vi Syria Project vii Block 5A Project viii Block 5B Project ix Egypt Project x Nigeria /STP Project xi Sudan Pipeline Project xii ONGC Mittal Energy Limited, Cyprus
iii) Related Parties of JV Entities	i GAIL (India) Ltd. (related party for PLL) ii Indian Oil Corp. Ltd. (related party for PLL) iii Bharat Petroleum Corp. Ltd. (related party for PLL) iv Hindustan Petroleum Corp. Ltd. (related party for PMHBL) v Petronet India Ltd. (related party for PMHBL)

b. Key Management Personnel: -

Functional Directors: i) Shri R. S. Sharma (holding additional charge of CMD w.e.f. 25.05.2006) ii) Shri Subir Raha, CMD (Up to 24.05.2006) iii) Dr. A. K. Balyan iv) Shri A. K. Hazarika v) Shri N. K. Mitra vi) Shri U. N. Bose vii) Shri D. K. Pande viii) Shri R. S. Butola, Managing Director, OVL ix) Shri D. K. Sarraf, OVL x) Ir. A. R. Baron Mackay Holding B. V., ONGBV	xi) Dr. C M Lamba, ONGBV xii) Shri R Rajamani, Managing Director MRPL xiii) Shri L K Gupta, MRPL xiv) Shri A Mathur, OVL xv) Shri J Thomas, OVL xvi) Shri Prosad Dasgupta, Managing Director & CEO, PLL xvii) Shri Amitav Sengupta, PLL xviii) Shri Shyam Sunder, PLL xix) Shri C S Mani, PLL xx) Shri S B Pandey, Managing Director, PMHBL

c. **Details of Transactions**

(Rs. in million)

Particulars	Joint Ventures	Jointly Controlled Entity	Key Management Personnel	Total
Amount paid /payable for Oil Transfer Services (Ravva)	- (19.71)			(19.71)
Amount received for use of Drill Site Accommodation (Ravva)	46.68 (9.68)			46.68 (9.68)
Receipt towards Processing Charges (Panna Mukta)	425.98 (1,267.93)			425.98 (1,267.93)
Receipt towards transportation Charges (Panna Mukta Tapti Tpt. Charges)	1,004.05 (1,133.26)			1,004.05 (1,133.26)
Amount paid for differential processing losses for Panna Mukta gas	- (657.12)			- (657.12)
Amount received for substituted gas (Panna Mukta)	- (514.03)			- (514.03)
Amount paid for purchase of Tapti Condensate	2,944.82 (2,490.03)			2,944.82 (2,490.03)
Amount received towards charges for Gas Metering Station from Panna Mukta JV	34.50 (-)			34.50 (-)
Sale of LNG by PLL		6,875.76 (4,796.47)		6,875.76 (4,796.47)
Sale by PMHBL		61.59 (-)		61.59 (-)
Land Lease Rent by PMHBL		1.74 (-)		1.74 (-)
Interest Income by OVL	20.00 (20.20)			20.00 (20.20)
Income from rendering services by OVL/PLL	307.94 (443.40)	10.44 (-)		318.38 (443.40)
Others by PLL		3.75 (4.25)		3.75 (4.25)
Others by PMHBL		0.25 (-)		0.25 (-)
Remuneration to Directors (As per b above)			27.22 (13.77)	27.22 (13.77)
Net Amount Outstanding Panna Mukta JV / OPAL(Ravva)	(-)18.49 (6.54)	411.82 (PLL) (156.32) (PLL) (12.48) (PMHBL)	0.99 (1.34)	516.85 (164.20)

32. In terms of Section 22 of the Micro, Small and Medium Enterprises Development Act 2006, the outstanding to these enterprises are required to be disclosed. However, these enterprises are required to be registered under the Act. In the absence of the information about registration of the Enterprises under the above Act, the required information could not be furnished. The names of the Small Scale Industrial Undertakings so far ascertained in respect of the company having outstandings for more than 30 days from the Company are M/s Porwa Tar products (P) Ltd. Raipur, M/s. Doshi Ion Exchange & Chem Ind. Ltd., Mumbai and M/s Tiki Tar Industries, Vadodara.

ओएनजीसी ONGC

33. Capital commitments (net of advances) not provided for

a. Estimated amount of Contracts remaining to be executed on capital account and not provided for.

i) In respect of the Company, its subsidiaries and Joint Ventures- Rs. 76,967.97 million (Previous year Rs. 77,366.73 million).
ii) In respect of Joint Ventures- Rs. 6,501.33 million (Previous year Rs. 2,104.38 million).

b. Minimum Work Programme Committed under various Production Sharing Contracts with Govt. of India & Govt. of foreign countries.

i) In respect of NELP blocks in which the company has 100% participating interest - Rs. 7,346.30 million (Previous year Rs. 9,439.53 million).
ii) In respect of Joint Ventures -Rs. 16,408.04 million (Previous year Rs. 14,387.08 million).

c. In respect of subsidiary OVL, all known Capital Commitments have been indicated except for Sakhalin 1, Russia Project and Block 5A, Sudan projects where such commitments are not ascertainable due to non availability of details from the operators.

34. Contingent Liability

a) Claims against the Company, its subsidiaries and Joint Ventures not acknowledged as debts which in the opinion of the Management are not tenable/under appeal at various stages: -

(Rs. in million)

		As at 31st March, 2007	As at 31st March, 2006
I	***In respect of Company:***		
	i. Income tax matters	18,583.05	22,892.06
	ii. Excise Duty matters	3,281.89	4,743.78
	iii. Custom Duty matters	1,469.09	1,449.77
	iv. Royalty	360.39	360.64
	v. Cess	1.49	87.85
	vi. Sales Tax	4,563.20	3,460.53
	vii. AP Mineral Bearing Land (Infrastructure) Cess	364.02	129.61
	viii. Municipal Corporation	80.80	84.50
	ix. Specified Land Tax (Assam)	1,046.38	735.76
	x. Claims of contractors in Arbitration/Court	17,270.88	18,302.55
	xi. in respect of other matters	7,118.19	7,436.35
	Sub Total	**54,139.38**	**59,683.40**
II	***In respect of Joint Ventures:***		
	i. Income tax matters	8.91	8.91
	ii. Custom Duty matters	5,027.82	3,818.37
	iii. Royalty	240.04	240.04
	iv. Cess	7.76	7.76
	v. Sales Tax	1,926.80	1,926.80
	vi. Claim of GOI for additional Profit Petroleum	4,946.89	5,082.30
	vii. Claims of contractors in Arbitration/Court	0.00	68.45
	viii. in respect of other matters	1,307.11	2,865.34
	Sub Total	**13,465.33**	**14,017.97**
	Total	**67,604.71**	**73,701.37**

b. Contingent liabilities, if any, in respect of JVs where OVL is non-operator, is not ascertainable.

c. i) Bank Guarantees given by the Company Rs. 4,834.70 million (Previous year Rs. 358.15 million) including Rs. 3,803.70 million (Previous year Nil) for NELP Blocks where the Company has 100% participating interest (PI)
ii) Bank Guarantees in respect of joint ventures-Rs. 573.20 million (Previous year Nil).

d. Foreign Letters of credit/Bank Guarantee in respect of Petronet LNG Ltd. Rs. 1,208.29 million (Previous year Rs. 871.87 million).

e. Letters of Credit outstanding for PMHBL Rs. 0.29 million (Previous year Nil)

f. Guarantees executed by the company on behalf of its wholly owned subsidiary-ONGC Videsh Limited in favour of:-

A. Guarantees executed for financial obligations:
i) Amount of Guarantee Rs. 33,353.41 million (Previous year Rs. 158,851.66 million)
ii) Amount of Guarantee Outstanding Rs. 2,312.57 million (Previous year Rs. 12,165.41 million)

B. Performance Guarantees executed under the contracts:
i) Guarantee executed jointly with CNPC in favour of Petro Canada Germany GmBH (Seller) for the performance of obligation under sale agreement for acquiring seller share in Petro Canada Nina GmBH for acquisition of interest in Syrian operations, without any financial ceiling.
ii) Guarantee executed in favour of Petrobras & Shell Brazil as a part of acquisition of 15% Participating Interest in Block BC-10 Brazil by ONGBV, a subsidiary of OVL for fulfillment of obligation under concession contract and joint venture documents without any financial ceiling.
iii) Guarantee in respect of Sakhalin Project in favour of Exxonneftgas Ltd., M/s. Roseneft-S, SMNG-S towards performance of Company's obligation under assignment agreement, carry finance agreement and JOA without any financial ceiling.

g) Corporate Guarantees executed by the company on behalf of its subsidiary, MRPL: -
i) Amount of Guarantee Rs. 13,475.70 million (Previous year Rs. 10,003.84 million)
ii) Amount Outstanding Rs. 5,273.35 million (Previous year Rs. 5,669.59 million)

h) Corporate Guarantees executed by subsidiary - MRPL: towards loan by bankers to New Mangalore Port Trust (NMPT):
i) Amount of Guarantee Rs. 3,372.30 million (Previous year Rs. 3,372.30 million)
ii) Amount Outstanding Rs. 469.82 million (Previous year Rs. 735.62 million)

35. The joint venture entity Petronet MHB Ltd. went for restructuring its debts under CDR system and got the final approval on 27th June, 2006. The approved package consists of conversion of loan into equity, infusion of funds by the promoters, conversion of loans into zero coupon bonds and waiver of interest w.e.f. 01.04.2006.

36. The required disclosure under the Revised Accounting Standard-15 is given below:

a) In respect of the company:

(A) Brief Description: A general description of the type of Defined Benefit Plans is as follows:

(i) **Earned Leave (EL) Benefit**
Accrual-30 days per year.
Encashment while in service -75% of Earned Leave balance subject to a maximum of 90 days per calendar year.
Encashment on retirement maximum 300 days.

(ii) **Good Health Reward (Half pay leave)**
Accrual-20 days per year.
Encashment while in service-Nil.
Encashment on retirement-25% of Half Pay Leave balance subject to a minimum balance of 120 days, restricted to maximum 480 days.

(iii) **Gratuity**
15 days salary for every completed year of service. Vesting period is 5 years and the payment is restricted to Rs. 3.50 Lakhs.

(iv) **Post Retirement Medical Benefits**
Upon payment of one time prescribed contribution by the employees, full medical benefits on superannuation & on voluntary retirement subject to the completion of minimum 20 years of service and 50 years of age.

(v) **Terminal Benefits**
At the time of superannuation, employees are entitled to settle at a place of their choice and they are eligible for Transfer Traveling Allowance. Employees are gifted a silver plaque also depending upon their level.

(B) The amount recognized as an expense for defined contribution plans are as under:

(Rs. in million)

Defined Contribution Plan	**Expense Recognised during 2006-07**	**Contribution for Key Management Personnel**
Contributory Provident Fund	**1,221.29**	0.44
Employee Pension Scheme-95	**215.61**	0.04
Composite Social Security Scheme	**571.04**	0.10

(C) The amount recognized in the balance sheet for post employment benefit plans are as under:

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Present Value of Funded Obligation	7,253.87	-	-	-
2	Fair Value of Plan Assets	6,877.64	-	-	-
3	Present Value of Unfunded Obligation	-	6,215.87	8,685.93	399.52
4	Unrecognised Past Service Cost	-	-	-	-
5	Net Liability	376.24	6,215.87	8,685.93	399.52

(D) The amount included in the fair value of plan assets of gratuity fund are as follows:

(Rs. in million)

Defined Contribution Plan	Expense Recognised during 2006-07
Reporting Enterprise's own financial instruments	Nil
Any Property occupied by, or other assets used by the reporting enterprise.	Nil

(E) Reconciliation showing the movements during the period in the net liability recognized in the balance sheet:

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Opening defined benefit obligation	6,894.90	4,962.32	6,216.40	216.14
2	Service Cost	332.30	362.12	202.69	18.09
3	Interest Cost	551.59	371.54	497.31	17.30
4	Actuarial losses (gains)	(159.09)	1,289.07	2,053.97	159.21
5	Exchange differences on foreign plans	-	-	-	-
6	Benefits paid	(365.83)	(769.18)	(284.44)	(11.22)
7	Closing defined benefit obligation	7,253.87	6,215.87	8,685.93	399.52

(F) The total expense recognized in the statement of profit and loss are as follows:

(Rs. in million)

Sl No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Current Service Cost	332.30	362.12	202.69	18.09
2	Interest on Obligation	551.59	371.54	497.31	17.30
3	Expected return on plan assets	(510.39)	-	-	-
4	Net actuarial Losses / (Gains) recognized in year	(149.89)	1,289.07	2,053.97	159.21
5	Past Service Cost	-	-	-	-
6	Losses (Gains) on curtailments and settlement	-	-	-	-
7	Total included in 'employee benefit expense'.	223.61	2,022.73	2,753.97	194.60
8	Actual return on plan assets	501.20	-	-	-

(G) Principal actuarial assumption at the balance sheet date (expressed as weighted averages):

Sl. No.	Particulars	Gratuity	Leave	Post Retirement Medical Benefits	Terminal Benefits
1	Discount rate	8%	8%	8%	8%
2	Expected return on plan assets	7.57%	-	-	-
3	Annual increase in healthcare costs	-	-	5.50 %	-
4	Annual Increase in Salary	5.5%	5.5%	-	-

(b) In respect of Subsidiary-MRPL:

(Rs. in million)

Particulars	**Gratuity**	**Leave**
Provision at the beginning of the year	45.46	34.27
Provision made for the year	13.98	36.94
Payment/Settlement	3.17	7.46
Provision at the year end	56.27	63.73

37. Loans & Advances to Employees/Others having repayment schedule of more than 7 years.

(Rs. in million)

Particulars	**Amount Outstanding**		**Maximum Amount Outstanding**	
	Current Year	**Previous Year**	**Current Year**	**Previous Year**
For Company	6,651.12	6,824.80	6,824.80	6,876.03
Subsidiary - MRPL	501.47	501.63	501.63	501.63

38. The Consolidated Segment Information as per Accounting Standard AS-17 for the Company is given below

(Rs. in million)

Particulars	**2006-07**						**2005-06**					
	In India			**Outside India**	**Unallocated**	**Grand Total**	**In India**			**Outside India**	**Unallocated**	**Grand Total**
	E&P						**E&P**					
	Offshore	**Onshore**	**Refining**				**Offshore**	**Onshore**	**Refining**			
Revenue												
External Sales	343,101.57	169,171.22	262,007.78	109,212.20	7,101.24	890,594.01	280,012.43	148,393.90	250,554.12	72,752.88	5,275.55	**756,988.88**
Inter Segment Sales	77,791.30	0.00	63,714.85	6,718.30	0.00	148,224.45	61,929.10	0.00	34,279.60	4,915.10	0.00	**101,123.80**
Total Revenue	**420,892.87**	**169,171.22**	**325,722.63**	**115,930.50**	**7,101.24**	[illegible]	**341,941.53**	**148,393.90**	**284,833.72**	**77,667.98**	**5,275.55**	**858,112.68**
Results												
Segment Result Profit(+)/Loss(-)	215,366.08	4,581.30	13,565.21	26,839.25	0.00	260,351.84	169,906.11	34,146.14	8,868.89	13,870.83	0.00	**226,791.97**
Unallocated Corporate Expenses	0.00	0.00	0.00	0.00	5,333.63	[illegible]	0.00	0.00	0.00	0.00	4,514.15	**4,514.15**
Operating Profit	**215,366.08**	**4,581.30**	**13,565.21**	**26,839.25**	**(5,333.63)**	[illegible]	**169,906.11**	**34,146.14**	**8,868.89**	**13,870.83**	**(4,514.15)**	**222,277.82**
Interest	0.00	0.00	0.00	0.00	1,905.51	1,905.51	0.00	0.00	0.00	0.00	1,597.39	**1,597.39**
Interest/Dividend Income	0.00	0.00	0.00	0.00	19,608.46	19,608.46	0.00	0.00	0.00	0.00	12,721.87	**12,721.87**
Income Taxes	0.00	0.00	0.00	0.00	98,454.11	98,454.11	0.00	0.00	0.00	0.00	84,932.43	**84,932.43**
Profit from Ordinary Activities	**215,366.08**	**4,581.30**	**13,565.21**	**26,839.25**	**(86,084.89)**	**174,267.15**	**169,906.11**	**34,146.14**	**8,868.89**	**13,870.83**	**(78,322.10)**	**148,469.87**
Extraordinary Gain*	4,750.61	0.00	0.00	0.00	0.00	4,750.61	6,405.39	0.00	0.00	0.00	0.00	**6,405.39**
Net Profit	**220,116.69**	**4,581.30**	**13,565.21**	**26,839.25**	**(86,084.89)**	[illegible]	**176,311.50**	**34,146.14**	**8,868.89**	**13,870.83**	**(78,322.10)**	**154,875.26**
Other Information												
Segment Assets	399,869.14	156,557.21	88,815.55	209,213.04	0.00	854,454.94	336,672.46	161,178.01	83,256.93	208,951.09	0.00	**790,058.49**
Unallocated Corporate Assets	0.00	0.00	0.00	0.00	257,039.68	[illegible]	0.00	0.00	0.00	0.00	140,141.02	**140,141.02**
Total Assets	**399,869.14**	**156,557.21**	**88,815.55**	**209,213.04**	**257,039.68**	[illegible]	**336,672.46**	**161,178.01**	**83,256.93**	**208,951.09**	**140,141.02**	**930,199.51**
Segment Liabilities	210,486.55	40,584.03	60,938.40	165,477.39	0.00	[illegible]	172,365.08	25,920.69	57,691.41	173,630.59	0.00	**429,607.77**
Unallocated Corporate Liabilities	0.00	0.00	0.00	0.00	(33,133.50)	(33,133.50)	0.00	0.00	0.00	0.00	(67,088.69)	**(67,088.69)**
Total Liabilities	**210,486.55**	**40,584.03**	**60,938.40**	**165,477.39**	**(33,133.50)**	**444,352.87**	**172,365.08**	**25,920.69**	**57,691.41**	**173,630.59**	**(67,088.69)**	**362,519.08**
Capital Expenditure	125,009.19	20,184.80	2,351.78	43,457.64	1,201.51	192,204.92	125,015.47	25,293.79	4,899.16	31,552.90	710.18	**187,471.50**
Depreciation**	75,567.98	18,258.18	8,591.65	21,835.00	925.10	[illegible]	68,342.78	13,843.49	3,541.81	11,204.13	920.01	**97,852.22**
Non-cash Expenses	2,161.50	717.01	112.43	1,782.18	468.93	[illegible]	3,253.50	87.46	91.58	395.40	96.78	**3,924.72**

* Excess of Insurance Claims over book value

** Also Includes Depletion, Amortization and Impairment Loss

Segment Revenue in respect of Onshore segment for the year ended 31st March,2007 includes Rs. 59,401 million (Previous year Rs. 34,389 million) on account of trading of MRPL products - a subsidiary of ONGC.

Notes:

(i) The annexed matrix presentation depicts the geographical segments based on assets as primary segments and business segments as secondary segments.

(ii) Segments have been identified and reported taking into account the differing risks and returns, the organization structure and the internal reporting systems. These have been organized into the following main geographical and business segments:

Geographical Segments	Business Segments
a) In India - Offshore	a) Exploration & Production
- Onshore	
b) Outside India.	b) Refining

(iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on reasonable basis. Un-allocated includes common expenditure incurred for all the segments and expenses incurred at the corporate level.

(iv) Reconciliation of the Segment Revenue with the Revenue as per Schedules 19 & 20 is given below:

Particulars	Schedule	Amount (Rs. in million)	
Sales	19		862,761.76
Other Income	20		47,387.81
Prior period Sales	26		(86.07)
Prior period other Income	26		137.66
Total			**910,201.16**
Less:			
Income from trade investments	20	3,634.16	
Income from Non trade investments	20	0.06	
Interest income on Deposits with banks/FIs, IT Refund, SRF Fund and carry Finance	20	15,972.93	**19,607.15**
Segment Revenue			**890,594.01**

39. Details of Oil and Gas Reserves (as determined by Reserve Estimates Committee)

a) Share of Company and its subsidiaries & joint venture companies in the Proved Reserves on the geographical basis as on 31[st] March, 2007 is as under:-

Details		Crude Oil (MMT)*		Gas (Billion Cubic Meter)		Total Oil Equivalent (MMT)**	
		As on 31.3.2007	As on 31.3.2006	As on 31.3.2007	As on 31.3.2006	As on 31.3.2007	As on 31.3.2006
Offshore	**Opening**	211.750	227.930	160.530	177.637	372.280	405.567
	Addition	29.900	1.920	43.932	2.249	73.832	4.169
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	19.910	18.100	19.061	19.356	38.971	37.456
	Closing	221.740	211.750	185.401	160.530	407.141	372.280
Onshore	**Opening**	191.550	194.050	153.315	154.850	344.865	348.900
	Addition	2.630	5.590	3.408	4.127	6.038	9.717
	Deduction						
	Sale/Transfer	-	-	-	0.051	-	0.051
	Production	8.030	8.090	5.818	5.611	13.848	13.701
	Closing	186.150	191.550	150.905	153.315	337.055	344.865
Vietnam	**Opening**	0.683	0.758	16.450	19.471	17.133	20.229
	Addition	-	-	-	-	-	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	0.030	0.039	1.842	1.349	1.872	1.388
	Closing	0.653	0.719	14.608	18.122	15.261	18.841
Sakhalin	**Opening**	61.222	61.400	96.917	97.000	158.139	158.400
	Addition	-	-	-	-	-	-
	Deduction						
	Sale/Transfer	6.751	-	12.558	-	19.309	-
	Production	0.955	-	0.306	-	1.261	-
	Closing	53.516	61.400	84.053	97.000	137.569	158.400
GNOP Sudan	**Opening**	23.465	20.398	-	-	23.465	20.398
	Addition	2.700	3.980	-	-	2.700	3.980
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	3.157	3.675	-	-	3.157	3.675
	Closing	23.008	20.703	-	-	23.008	20.703

Block 5A, Sudan	**Opening**	**5.180**	-	-	-	**5.180**	-
	Addition	-	-	-	-	-	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**0.270**	-	-	-	**0.270**	-
	Closing	**4.910**	-	-	-	**4.910**	-
AFPC, Syria	**Opening**	**2.274**	-	-	-	**2.274**	-
	Addition	**0.238**	-	-	-	**0.238**	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**1.095**	-	-	-	**1.095**	-
	Closing	**1.417**	-	-	-	**1.417**	-
MECL, Columbia	**Opening**	-	-	-	-	-	-
	Addition	**11.037**	-	-	-	**11.037**	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**0.297**	-	-	-	**0.297**	-
	Closing	**10.740**	-	-	-	**10.740**	-
Bc-10 Brazil	**Opening**	-	-	-	-	-	-
	Addition	**1.500**	-	**0.225**	-	**1.725**	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	-	-	-	-	-	-
	Closing	**1.500**	-	**0.225**	-	**1.725**	-

b) Share of Company and its subsidiaries & joint venture companies in the Proved and Developed Reserves on the geographical basis as on 31st March, 2007 is as under:-

Details		**Crude Oil (MMT)***		**Gas (Billion Cubic Meter)**		**Total Oil Equivalent (MMT)****	
		As on 31.3.2007	**As on 31.3.2006**	**As on 31.3.2007**	**As on 31.3.2006**	**As on 31.3.2007**	**As on 31.3.2006**
Offshore	**Opening**	**192.850**	193.580	**113.592**	126.539	**306.442**	320.119
	Addition	**18.410**	17.370	**34.185**	6.409	**52.573**	23.779
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**19.910**	18.100	**19.024**	19.356	**38.934**	37.456
	Closing	**191.350**	192.850	**128.753**	113.592	**320.103**	306.442
Onshore	**Opening**	**148.870**	152.870	**117.435**	120.087	**266.305**	272.957
	Addition	**4.030**	4.090	**2.585**	2.959	**6.615**	7.049
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**7.910**	8.090	**5.628**	5.611	**13.538**	13.701
	Closing	**144.990**	148.870	**114.392**	117.435	**259.382**	266.305
Vietnam	**Opening**	**0.676**	0.751	**12.895**	15.916	**13.571**	16.667
	Addition	-	-	-	-	-	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**0.030**	0.039	**1.842**	1.349	**1.872**	1.388
	Closing	**0.646**	0.712	**11.053**	14.567	**11.699**	15.279
Sakhalin	**Opening**	**1.422**	-	**0.557**	-	**1.979**	-
	Addition	**7.534**	-	**2.286**	-	**9.820**	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**0.955**	-	**0.306**	-	**1.261**	-
	Closing	**8.001**	-	**2.537**	-	**10.538**	-

GNOP Sudan	**Opening**	**17.667**	15.386	-	-	**17.667**	15.386
	Addition	**3.470**	3.480	-	-	**3.470**	3.480
	Adjustment		3.024				3.024
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**3.157**	3.675	-	-	**3.157**	3.675
	Closing	**17.980**	18.215	-	-	**17.980**	18.215
Block 5a Sudan	**Opening**	-	-	-	-	-	-
	Addition	**4.580**	-	-	-	**4.580**	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**0.270**	-	-	-	**0.270**	-
	Closing	**4.310**	-	-	-	**4.310**	-
AFPC, Syria	**Opening**	**1.697**	-	-	-	**1.697**	-
	Addition	**0.238**	-	-	-	**0.238**	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**1.095**	-	-	-	**1.095**	-
	Closing	**0.840**	-	-	-	**0.840**	-
MECL Columbia	**Opening**	-	-	-	-	-	-
	Addition	**2.102**	-	-	-	**2.102**	-
	Deduction						
	Sale/Transfer	-	-	-	-	-	-
	Production	**0.297**	-	-	-	**0.297**	-
	Closing	**1.805**	-	-	-	**1.805**	-

* Crude includes oil condensate

** For calculating Oil Equivalent of Gas (OEG) 1000 M3 of Gas has been taken to be equal to 1 MT of Crude Oil.

Variations in totals, if any, are due to internal summation and rounding off.

The consultant engaged by the subsidiary - OVL in financial year 2004-05 had suggested net downward revision of Oil Equivalent Reserves to the extent of 1.99 Million Tonne (comprising reduction of 0.42 Million Tonnes condensate and 3.71 Billion Cubic Meters gas in Proved Reserves, increase of 0.06 Million Tonnes condensate and 1.10 BCM gas in Probable Reserves and 0.17 Million Tonnes condensate and 0.81 Billion Cubic Meters gas in Possible Reserves) in respect of Block 06.1, Vietnam Project. The reduction in Proved and Developed Oil Equivalent Reserves suggested by the Consultant was 2.99 Million Tonnes comprising 0.42 Million Tonnes of Condensate and 2.57 Billion Cubic Meters of gas. The revision was not accepted by the Operator. The Operator is carrying out separate Reserve assessment based on pressure/ production studies. Appropriate adjustments, if any, will be made on receipt of Operator's assessment.

The Reserves in respect of Sakhalin-1, Russia Project based on the Declaration of Commerciality accepted by Consortium members and approved by Russian authorities have been revised downwards during the year in respect of Chayvo field by 19.309 Million Tonne (i.e. *6.751 Million Tonne of Crude Oil and 12.558 Billion Cubic Meter of gas) deleting the reserves beyond the license area as the proposal* submitted by the Operator for extension of the area to cover the entire field has not been agreed by the regulatory authority and for accounting the suggestions of the regulatory body regarding changes in parameters for making the firm development plan.

The consultant engaged by the Company during financial year 2004-05 had suggested downward revision of total hydrocarbon volume (Proved plus Probable plus Possible Reserves plus Contingent Resources) by 3.13 Million Tonne of Oil Equivalent comprising increase in ultimate recoverable volume of oil by 5.17 Million Tonne and decrease in ultimate recoverable volume of gas by 8.30 Billion Cubic Meter.

The consultant had placed Chayvo Phase-1 reserves only in Proved category i.e. 11.0 Million Tonne of oil and 11.4 Billion Cubic Meter of gas because in his view, for other phases/fields, firm export contract and approval for export pipeline does not exist at present. The Consortium is, however, confident of making tie-ups for gas, get approval for pipeline and has initiated efforts towards that. Further, the development plan in respect of the entire Proved Reserves shown above has already been approved by the Russian authorities. For these reasons, the Company has not accepted the consultant's categorization.

40. (i) DETAILS OF EXPENDITURE

Details of expenditure incurred during the year on Production, Selling and Distribution, Operation and Maintenance of Pipelines, Exploration, Drilling and Development

(Rupees in million)

	2006-07		2005-06
Manpower Cost:			
(a) Salaries, Wages, Ex-gratia etc.	33,484.78		24,993.50
(b) Contribution to Provident and other funds	2,059.54		1,558.68
(c) Provision for gratuity	383.43		945.61
(d) Provision for leave encashment	2,356.27		1,506.40
(e) Provision for post retirement medical &terminal benefits	9,089.44		-
(f) Staff welfare expenses	2,688.46	50,061.92	2,089.20
Consumption of Raw Materials, Store and Spares		204,628.80	182,246.66
Cess		59,260.31	40,804.29
National Calamity Contingent Duty - Crude Oil		1,149.09	1,047.73
Excise Duty		40,903.30	35,140.32
Royalty		104,564.97	85,228.26
Value Added Tax/Sales Tax		6,006.89	11,139.27
Octroi/BPT		3,523.14	2,773.14
Service Tax		137.29	86.21
Education cess		1,303.44	867.99
Rent		1,051.14	1,067.03
Rates and taxes		585.23	445.38
Hire charges of equipments and vehicles		39,700.22	38,550.39
Power, fuel and water charges		3,300.96	2,048.65
Contractual drilling, logging, workover etc.		45,860.65	26,841.71
Contractual security		1,250.38	1,214.54
Repairs to building		393.71	362.63
Repairs to plant and machinery		1,837.64	1,803.67
Other repairs		8,308.34	7,351.48
Insurance		2,955.86	1,688.31
Miscellaneous expenditure		21,586.08	20,203.22
		598,369.36	**492,034.25**
Less: Allocated to exploration, development drilling, capital jobs recoverables etc.		80,158.47	64,983.51
Excise duty		40,146.28	35,482.25
Prior Period Adjustment		7,578.89	36.74
Production, Transportation, Selling and Distribution Expenditure etc.		470,485.72	**391,531.75**

Following expenses are included under other heads of expenses in respect of MRPL.

(i) Stores and Spares consumed-Rs. 245.48 million (Previous year Rs. 253.27 million)
(ii) Insurance Rs. 17.98 million (Previous year Rs. 19.85 million)

ii) MANAGERIAL REMUNERATION (included in 31 above)

(Rs. in million)

	2006-07	2005-06
REMUNERATION PAID OR PAYABLE TO DIRECTORS		
Functional Directors:		
Salaries and Allowances	20.88	8.02
Contribution to Provident & Other Funds	1.25	0.58
Other Benefits and Perquisites (do not include cost of medical treatment availed from the Corporation's own medical facilities as the amount is not determinable)	4.15	2.22
Leave Encashment and Gratuity on retirement of directors	0.50	1.91
Independent Directors:		
Sitting Fees	1.09	0.93
TOTAL	27.87	13.66

Note: The remuneration does not include provision for gratuity/leave encashment since the same is not available for individual employees except for directors retired during the year.

iii) AUDITORS' REMUNERATION (included in 31 above)

(Rs. in million)

	2006-07	2005-06
Audit Fees	6.37	5.95
For Certification work etc.	4.42	4.12
Traveling and Out of Pocket Expenses	10.90	7.82
TOTAL	21.69	17.89

41 (a) The closing stock of finished goods of the subsidiary-OVL in respect of its Columbia project for Rs. 245.65 million has been taken to the operating expenses instead of reflecting as change in inventory under Schedule-21 and there is no impact in the profit and loss due to this treatment.

(b) The difference between the depreciation charge for the year as per the fixed assets (Schedule-5) and in the profit and loss account (Schedule-23 and 26) in respect of the subsidiary-OVL for an amount of Rs. 210.17 million is due to different exchange rate adopted for the translation of deprecation in both the schedules and the same has been adjusted in the foreign currency translation reserve (Schedule-2).

42 (a) The figures in respect of Subsidiaries/Joint Venture Companies have been regrouped/rearranged based upon the details obtained from the management of the subsidiaries/Joint Venture Companies wherever their audited accounts did not provide the breakup details required for consolidated financial statements.

(b) Disclosure requirement in respect of subsidiaries/Joint Ventures companies have been disclosed to the extent available from their audited/unaudited accounts.

43 Previous year's figures have been regrouped/ reclassified wherever necessary to conform to current year's classification.

44 Figures in bracket as given in Notes to the Accounts relate to previous year.

45 Figures in the accounts are stated in Rs. Millions except those in parenthesis which would otherwise have become Nil on account of rounding off.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in million)

		Year Ended 31st March, 2007		Year Ended 31st March, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Profit before tax, prior period and extraordinary items		285,475.85		239,545.49
Adjustments For:				
Recouped Costs				
(Represented by Depreciation, Depletion and Amortisation)				
Gross Amount	119,677.94		97,852.22	
Cash Outflows	(41,035.09)		(30,420.57)	
	78,642.85		67,431.65	
- Interest on Borrowings	1,805.08		1,619.78	
- Foreign Exchange Loss/(Gain)	(12.57)		(901.67)	
- Provision for Gratuity	229.03		899.08	
- Provision for Leave Encashment	1,264.83		539.76	
- Provision for AS-15 Benefits	2,695.48		0.00	
- Miscellaneous Expenditure written off	0.00		305.27	
- Other Provision and Write offs	2,301.67		2,126.97	
- Interest Income	(18,741.44)		(11,724.82)	
- Excess Provision written Back	(1,019.89)		(1,431.79)	
- Deferred Government Grant	(6.56)		(10.38)	
- Dividend Received	(2,384.69)		(1,574.34)	
		64,573.79		57,279.51
Operating Profit before Working Capital Changes		350,049.64		296,825.00
Adjustments for:-				
- *Debtors*	(3,454.46)		(3,709.91)	
- Loans and Advances	(3,233.06)		(3,192.31)	
- Other Current Assets	(1.34)		80.67	
- Deferred Revenue Expenditure/ Miscellaneous Exp. W/off	(1,477.29)		1,648.28	
- Inventories	(13,274.41)		(7,553.73)	
- Trade Payable and Other Liabilities	41,380.79	19,940.23	7,685.54	(5,041.46)
Cash generated from Operations		369,989.87		291,783.54
Direct Taxes Paid (Net of tax refund)		(85,204.35)		(76,998.60)
Cash Flow before prior period and Extra ordinary Items		284,785.52		214,784.94
Prior period items		(6,883.57)		(1,116.07)
Net Cash Flow from Operating Activities 'A'		277,901.95		213,668.87
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		(111,677.30)		(57,589.66)
Exploratory and Development Drilling/ Board Approved and Contracted/ Board Approved Projects		(23,985.89)		(56,240.23)
Purchase of Investments (Net)		(1,264.57)		(8,950.56)
Loans to ONGC Mittal Energy Limited		0.00		(37.66)
Investment in Subsidiary		(20,855.67)		(1,086.82)
Loans and advances to Subsidiary		301.82		(400.59)
Loans to others		53.80		0.00
Foreign Currency Translation Adjustment		(788.68)		395.89
Share of Profit in Associate Companies		106.78		106.78
Investment in Associate Companies		(38.18)		(38.18)
Advance to SMNG-S & RN ASTRA		55,726.32		(20,531.41)
Dividend Received from Trade Investments		0.00		1,554.74
Dividend Received from Others		2,316.09		0.00
Extraordinary Item-Insurance Claims Received for BHN		8,684.32		8,154.23
Tax paid on Excess of insurance Claim over book value		(1,599.06)		(2,156.05)
Interest Received		13,561.99		9,731.16
Tax paid on Interest Income		(4,645.65)		(3,275.51)
Net Cash Flow from Investing Activities 'B'		(84,104.68)		(130,363.87)

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(Rupees in million)

	Year Ended 31st March, 2007	Year Ended 31st March, 2006
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Share Capital	7,027.80	0.47
Conversion of loan, advance against equity, subscription money to equity	0.00	0.00
Proceeds from Government Grants	25.97	11.16
Proceeds from Line of Credit	0.00	(8,550.00)
Proceeds/(Repayment) of Term Loans	(9,630.95)	(2,096.11)
Cash Credit Advance	2,997.30	(8,137.94)
Dividend Paid	(67,550.33)	(64,893.42)
Tax on Dividend	(9,399.32)	(9,146.68)
Interest Paid	(1,618.75)	(1,674.35)
Net Cash Flow from Financing Activities 'C'	(78,148.28)	(94,486.87)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	115,648.99	(11,181.87)
Cash and Cash Equivalents as at 1st April, 2006 (Opening Balance)	91,013.54	102,195.41
Cash and Cash Equivalents as at 31st March, 2007 (Closing Balance)	206,662.53	91,013.54

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
2. Adjustments have not been made to "Purchase of Fixed Assets" (Investing Activities), on account of increase/decrease in Capital Creditors. The impact of the above is not readily ascertainable.
3. Cash and Cash equivalents represent:-

(Rupees in million)

	2006-07	2005-06
a) Cash and Bank Balances and Cheques in hand (Schedule 13A)	150,653.10	45,721.13
b) Deposits with Bank under Site Restoration Fund Scheme (Schedule 13B)	56,102.86	45,335.56
Total	206,755.96	91,056.69

4. Cash and Cash equivalent excludes Rs. 54.90 million (Previous year Rs. 43.15 million) in current account/deposit account of interest warrant/refund accounts, under lien, pledge with banks/Govt. authorities in respect of MRPL.
5. The shares of joint venture entity Petronet MHB Limited were alloted on 22.03.2007. The cash flow from 22.03.2007 to 31.03.2007 has not been consolidated being not material. The closing balance of Cash and Cash equivalent amounting to Rs. 38.54 million pertaining to PMHBL appearing in the consolidated balance sheet is not refelected in the Cash flow statement.
6. Cash Balance includes Rs. 1,319.24 million share of jointly controlled entity. (Previous year Rs. 740.92 million)
7. Bracket indicates cash outflow.
8. Previous years figures have been regrouped wherever necessary to conform to current year's classification.

For and on behalf of the Board

(S. C. Setia)
Company Secretary

(Dr. A.K. Balyan)
Director (HR)

(R.S.Sharma)
Chairman & Managing Director and Director (Finance)

In terms of our report of even date attached

For K.K.Soni & Co.
Chartered Accountants

(K.K.Soni)
Partner (Mem. No. 07737)

For S.C. Ajmera & Co
Chartered Accountants

(S.C. Ajmera)
Partner (Mem. No. 81398)

For P.S.D. & Associates
Chartered Accountants

(Prakash Sharma)
Partner (Mem. No. 72332)

For Singhi & Co.
Chartered Accountants

(Pradeep Kr. Singhi)
Partner (Mem. No. 50773)

For Padmanabhan Ramani & Ramanujam
Chartered Accountants

(P. Ranga Ramanujam)
Partner (Mem. No. 22201)

New Delhi
June 25, 2007

PROXY FORM

OIL AND NATURAL GAS CORPORATION LIMITED
Registered Office: Jeevan Bharti Bldg., Tower-II, 124, Indira Chowk, New Delhi-110 001

D.P. ID*			Master Folio No.	
Client ID*			No. of Share(s) held	

I/We ....
of ....being a member(s) of **OIL AND NATURAL GAS CORPORATION LIMITED** hereby appoint Mr./ Ms ....of
....or failing him/her.. of
.... as my/our proxy to vote for me/us on my/our behalf at the **14th Annual General Meeting to be held on Wednesday, the 19th September, 2007 at 10.00 A.M.** or at any adjournment thereof.

Signed this ....day of ....2007.

Affix Re.1/- Revenue Stamp

*Applicable for investor holding Share(s) in electronic form.

Note: The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Corporation not less than 48 hours before the schedule time of the aforesaid meeting.

....TEAR HERE..

ATTENDANCE SLIP

OIL AND NATURAL GAS CORPORATION LIMITED
Registered Office: Jeevan Bharti Bldg., Tower-II, 124, Indira Chowk, New Delhi-110 001

Please fill in attendance slip and hand it over at the entrance of the meeting venue:

D.P.ID*			Master Folio No.	
Client ID*			No. of Share(s) held	

I certify that I am a member/proxy for the member of the Corporation.

I hereby record my presence at the **14th Annual General Meeting** of the Corporation held on **Wednesday, the 19th September, 2007 at 10.00 A.M. at Siri Fort Auditorium, Khel Gaon, August Kranti Marg, New Delhi-110 049.**

Member's/Proxy's name in Block Letters

Signature of Member/Proxy

*Applicable for investor holding Share(s) in electronic form.

NOTES

STRIVING TO TRANSFORM AN INDEPENDENT INDIA TO AN ENERGY INDEPENDENT INDIA

- In the 60 years of Indian independence, ONGC has discovered all the 6 producing Oil & Gas Basins in India (7th was discovered in 1889), adding over 6.4 billion tonnes of Oil & Gas to the national kitty
- ONGC contributes over 75% of India's domestic Oil & Gas production, adding over a million barrels every day
- As India steps into its 61st year of Independence, ONGC dedicates itself to an Energy Independent India

- *Doubling Oil & Gas reserves from 6 to 12 billion tonnes*
- *Bringing in 20 million tonnes of Oil & Gas from abroad*
- *Promoting holistic Research in Alternate Energy sources*
- *Increase Recovery Factor from 28 to 40%*
- *Producing Coal Bed Methane (CBM) and Underground Coal Gasification (UCG) in a big way*

ओएनजीसी ONGC

Oil and Natural Gas Corporation Ltd.

Regd. office: Jeevan Bharti Bldg., Tower-II, 124, Indira Chowk, New Delhi-110001
Tel.: 23301000, 23310156, 23721756, Fax: 011-23316413
www.ongcindia.com

खोज के लिए साहस श्रेष्ठता के लिए ज्ञान उत्कृष्टता के लिए तकनीक

Subsidiaries: ONGC Videsh Ltd., ONGC Nile Ganga B.V., ONGC Narmada Ltd., MRPL

Overseas Joint Ventures: OMEL ONGC-Mittal Energy Ltd., OMESL ONGC-Mittal Energy Services Ltd.

Domestic Joint Ventures: OPaL ONGC Petro addition Ltd., MSEZ Mangalore SEZ Ltd., Dahej SEZ Ltd., OTPC, Petronet MHB Limited, Pawan Hans Helicopters Limited

ओएनजीसी
ONGC
making tomorrow brighter

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